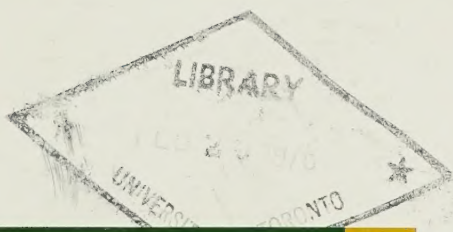


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The Report of the Special Program Review



november '75





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The Report of the Special Program Review

november '75



TO HER HONOUR

THE LIEUTENANT-GOVERNOR OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour
to present the Report on the Special
Program Review directed by your Order-
in-Council dated June 18, 1975.

Respectfully submitted,

A handwritten signature in dark ink, appearing to be "A. J. ...", written over a horizontal line.

Treasurer of Ontario
and Minister of
Treasury, Economics and
Intergovernmental Affairs

November, 1975



TO THE HONOURABLE W. DARCY MCKEOUGH
CHAIRMAN OF THE SPECIAL PROGRAM REVIEW

SIR

We, the members of the Special Program Review, appointed by Order-in-Council dated the 18th June, 1975, to inquire into ways and means of restraining the costs of Government through examining issues such as the continued usefulness of programs, alternative lower cost means of accomplishing objectives, and the problem of increased public demand for services in an inflationary period, are pleased to submit, herewith, our report.

W. A. B. Anderson

Maxwell Henderson

A. Rendall Dick

Robert S. Hurlbut

James D. Fleck

Betty Kennedy

November, 1975

MEMBERS OF THE SPECIAL PROGRAM REVIEW

CHAIRMAN

W. Darcy McKeough

Treasurer of Ontario and Minister of
Economics and Intergovernmental Affairs

CABINET MEMBER

E. A. Winkler

Chairman, Management Board of Cabinet
(Until October 7, 1975)

PUBLIC SERVANTS

W. A. B. Anderson

Secretary of the Management
Board of Cabinet

A. Rendall Dick

Deputy Treasurer and Deputy
Minister of Economics and
Intergovernmental Affairs

James D. Fleck

Secretary of the Cabinet

PRIVATE SECTOR REPRESENTATIVES

Maxwell Henderson

Auditor General of Canada, 1960-1973

Robert S. Hurlbut

President
General Foods, Limited

Betty Kennedy

Public Affairs Editor, CFRB



O.C. 1701/75

Executive Council

Copy of an Order-in-Council approved by His Honour the Administrator of the Government of the Province of Ontario, dated the 18th day of June, A.D. 1975.

The Committee of Council have had under consideration the report of the Honourable the Premier, wherein he states that,

WHEREAS the Government wishes to ensure that public sector expenditures do not become an unnecessary burden on the Provincial economy;

The Honourable the Premier therefore recommends that a Special Program Review be established to enquire into ways and means of restraining the costs of Government through examining issues such as the continued usefulness of programs, alternative lower cost means of accomplishing objectives, and the problem of increased public demand for services in an inflationary period, and to make recommendation to Cabinet by November 15, 1975.

The Honourable the Premier further recommends that the following persons be appointed members of the Special Program Review:

The Honourable W. Darcy McKeough,
Minister of Treasury, Economics and
Intergovernmental Affairs

The Honourable Eric A. Winkler,
Chairman, Management Board of Cabinet

William A.B. Anderson,
Secretary of the Management Board of Cabinet

A. Rendall Dick, Q.C.,
Deputy Minister of Treasury, Economics and
Intergovernmental Affairs

James D. Fleck, Secretary of the Cabinet

Andrew Maxwell Henderson, Ottawa

Robert St. Clair Hurlbut, Willowdale

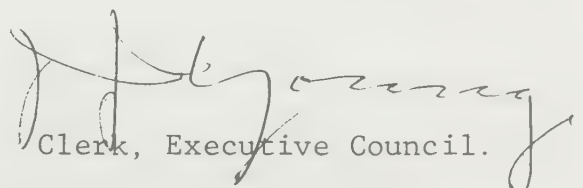
Mrs. Betty Kennedy, Toronto

And the Honourable the Premier further recommends that the Honourable W. Darcy McKeough be designated Chairman of the Special Program Review.

And the Honourable the Premier further recommends that each member be reimbursed his actual expenses incurred for accommodation, meals and transportation in respect of meetings and other related business.

The Committee of Council concur in the recommendations of the Honourable the Premier and advise that the same be acted on.

Certified,


Clerk, Executive Council.

The work of the Special Program Review had been concluded when the federal government announced the introduction of its wage and price guidelines on October 13, 1975. Therefore, the recommendations contained in this report do not reflect the effect of these guidelines. Nevertheless, most of the recommendations point to opportunities for cost reductions beyond those that can be achieved through price and income control alone.

Price and income control have set the stage for a series of tough decisions on expenditure reduction. This report provides for Ontario, and other interested governments, a very timely input to the national anti-inflationary program, which calls upon governments in Canada to limit their expenditure growth.

REPORT DISTRIBUTION

Copies of this report have been distributed to:

Members of the Legislature
Heads of Municipal Councils
Chairmen and Directors of School Boards
Chairmen and Administrators of Hospitals
Boards of Health
Public Libraries
Universities in Ontario
Colleges of Applied Arts and Technology
Banks and Financial Institutions
Ontario Daily and Weekly Newspapers
T.V. and Radio in Ontario

Copies of the report may be obtained for \$2.00 per copy
Ontario Government Bookstore, 880 Bay Street, Toronto,
M7A 1N8 (416-965-2054)

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CHAPTER I

THE PROBLEM AND ITS SOLUTION

THE MAGNITUDE OF THE PROBLEM

The size of contemporary government spending has become a matter of grave concern, not only to those responsible for it, but to all Canadians in every walk of life. Over the past decade, federal government spending in Canada has escalated from \$6 billion in 1965-66 to \$35 billion in 1975-76. By comparison, in Ontario, provincial government spending over the same period has increased from \$2 billion in 1965-66 to \$11.1 billion in 1975-76. Today, government is the biggest and most influential factor in the daily lives of Canadians.

World-wide inflation, combined with rising levels of domestic unemployment, seriously threatens Canada's economy. Governments have introduced new programs to create more jobs and have sought to alleviate hardships resulting from the rapidly rising cost of goods and services. This pattern has become a vicious circle, because one of the consequences of increased government spending at current levels is that it fuels the very inflation governments are fighting.

The most urgent problem facing all governments today is not merely to exercise extraordinary vigilance in containing current spending, but to face up to the difficult job of cutting it back. People demand that government reduce its costs and lower its taxes; yet, at the same time, they ask for more and better public services. Each individual and group has different views on what the priorities should be. The task faced now by the elected representatives

of the people calls for leadership of the highest order.

The Government of Ontario has sought to contain its spending within the pattern of economic growth of a province that has prospered substantially during the past decade. This guideline is no longer adequate if Ontario is to halt the powerful inflationary forces in its domestic economy. Accordingly, the Government believes its spending record must be examined to determine the extent to which expenditures can be cut back without interrupting or eliminating the delivery of essential services.

While Ontario government spending declined slightly as a proportion of Gross Provincial Product between 1970 and 1974, greater restraint in spending during this period might have left some margin to accommodate present economic difficulties. In 1975, a number of major pressures have developed that threaten to increase provincial expenditures dramatically in the future:

- Inflation. A year and a half of double-digit inflation has placed a tremendous burden on the cost of all goods and services. Not only do they cost more, but additional resources are needed by those receiving income support in order to maintain an adequate standard of living. Employees of the public sector are demanding, and in some cases receiving, very high wage settlements, many of which exceed the inflationary increases in the cost of living. As past experience has proved,

the price of refusing to accede to these demands can be the temporary withdrawal of vital public services.

- Unemployment. High levels of unemployment, regardless of who or what may be responsible for them, understandably lead to demands that government do more and more to stimulate the economy. These demands in turn place increasing pressure on the vicious circle of rising spending and inflation.
- Capital. Rising interest rates create pressure to make low-cost government capital available to promote residential and industrial development. Thus, the cost of the public debt is further increased.

The impact these pressures can have on provincial spending at its present levels is graphically illustrated in Table 1-1. Here, two sets of assumptions are examined to show what could happen in 1976-77 unless action is taken now to halt or reverse current trends. The data presented in the table demonstrate all too clearly that, with expenditures growing from a much higher base than revenues, net cash requirements of the Provincial Government would increase automatically in 1976-77, even if the growth rates of revenue and expenditure were identical.

As the table shows, for the current fiscal year, 1975-76, revenues are now estimated at \$9,470 million and expenditures at \$11,382 million. Assuming that both were to grow in 1976-77 by about 11.5 per cent

PROSPECTIVE FOR PROVINCIAL
DEFICIT LEVELS, 1976-77
(\$ MILLIONS)

Table 1 - 1

<u>Budgetary and Non-Budgetary</u>	<u>Estimate 1975-76</u>	<u>1976-77 Prospective</u>	
		<u>Level A¹</u>	<u>Level B²</u>
Revenue	9,470	10,559	10,853
Expenditure	<u>11,382</u>	<u>12,691</u>	<u>13.362</u>
Deficit ³	1,912	2,132	2,509

¹Level A: Revenue and expenditure projected at 11.5 per cent, the rate at which Ontario's economy has grown over the past three years.

²Level B: Revenue and expenditure projected at their respective three-year average growth rates of 14.6 per cent and 17.4 per cent.

³Total cash requirements composed of budgetary and non-budgetary account deficits.

Source: Ministry of Treasury, Economics and
Intergovernmental Affairs.

(the rate at which the economy has grown over the past three years), the gap would widen by \$220 million. Thus, achievement of the same level of net cash requirements in 1976-77 as in the current fiscal year would mean that expenditures would have to grow by about 2.0 percentage points slower than the revenue growth rate. On the other hand, if revenues and expenditures were to increase at their average rate of the past three years - that is, 14.6 per cent and 17.4 per cent respectively - then in the absence of countervailing action, net cash requirements would increase sharply to \$2,509 million in 1976-77. It should be emphasized that this is not a forecast of what will happen, but rather an indication of what could happen, given certain assumptions.

Interest on the public debt is becoming an increasingly large component of provincial expenditures. In 1970-71, at \$311 million it represented 5.2 per cent of the total expenditure. The latest forecast for 1975-76 places interest on the public debt at \$710 million, or 6.2 per cent of the total expenditure forecast. As the proportion of this expenditure grows, there is relatively less money to finance other programs. The serious implications of this situation are obvious.

The simple presentation shown in Table 1-1 illustrates the problem of the expenditure-revenue gap faced by the Province today. The problem will not disappear. It will not resolve itself. Strong government action must be taken to reduce net cash requirements to a level that the people of Ontario can afford, immediately and over the long term.

If nothing is done to improve this situation, what are the implications for the future in straight-forward economic and social terms? First, in economic

terms, unless a consistent, strong, and continuing effort is made to scale back government demands on the Gross Provincial Product, a number of still more serious problems will arise:

- Inflationary forces will continue to be fed by high levels of government spending and deficits.
- Excessive pressure will be created on capital markets as interest rates are pushed up and needed capital is drawn away from the private sector.
- Productivity gains in industry will be reduced because of higher tax levels and reduced individual and corporate incentives.

Second, in social terms, if the Government cannot contain the growth of spending on existing programs now, it will have fewer resources to deal with new or shifting social priorities in the future. The consequences of this situation will be acceptable to no one.

THE SPECIAL PROGRAM REVIEW COMMITTEE

Faced with this problem of increasing expenditures, in early 1975 the Government of Ontario decided, among other actions, to undertake an immediate review of all of its spending programs to assess their current efficiency, effectiveness, and relevancy and to make recommendations for cutting costs throughout the provincial public sector. On June 18, 1975, the Government announced formation of a Special Program Review Committee charged with this task. Its membership

and terms of reference are set forth in the introductory pages of this report.

The results of the work of this Committee, its recommendations, and the rationale underlying them are set out in this report. It would be presumptuous to expect that they will be endorsed by all sectors of the public and its elected representatives. Nevertheless, the recommendations contained in this report, difficult and harsh as they may be, represent a genuine and conscientious effort and a first step towards containing and cutting back public spending in the Province of Ontario. We believe they merit serious study by all concerned citizens. It is only by gaining an understanding of the reasons underlying public spending programs of the magnitude existing in Ontario today that solutions will be found.

The terms of reference of the Committee, as specified in the Order-in-Council, (included in the introductory pages of this report), stated that the Government of Ontario wished to ensure that public sector expenditures in the Province would not become an unnecessary burden on the provincial economy. To this end, the Special Program Review Committee was asked:

- to inquire into ways and means of restraining the costs of government by examining issues such as the continued usefulness of existing programs;
- to examine whether, for example, alternative lower-cost means of accomplishing the objectives of the Government could be developed and to what extent existing

programs might be carried out at a lower overall cost; and

- to inquire into the problem of increased public demand for services in an inflationary period.

Within these terms of reference, the Committee limited its examination of public sector spending to those ministries and agencies supported in whole or in part by the Consolidated Revenue Fund.

The Special Program Review Committee consisted of two Cabinet Ministers of the Provincial Government, three senior public servants, and three members from the private sector. Formation of a committee of this kind with such wide-ranging terms of reference is a unique occurrence in Canada. It has brought together those in the Provincial Government responsible for most of the programs under review, senior public servants concerned with the implementation of these programs, and individuals from the private sector who, before their participation in the Review, had a limited knowledge of the programs under study.

The initial challenge faced by the members of the Committee was to develop and bring a harmonious understanding and constructive approach to their task. That this was accomplished is evidenced by the unity of purpose manifested throughout the discussions and reflected in this report. The deliberations were ably supported by the senior officials of the Cabinet Office, the Management Board Secretariat, and the Ministry of Treasury, Economics and Intergovernmental Affairs, who were unsparing in their efforts to put the problem into focus. The Committee also received valued assistance from representatives of the

ministries and the policy field secretariats. These staffs participated in many of the meetings of the Committee, responded to numerous inquiries for information, and provided valuable commentary on draft documents.

The challenge posed by the terms of reference was substantial. The great range of government spending programs in a province the size of Ontario had first to be documented and explained so that the private members of the Committee would clearly comprehend the ramifications of these programs. Only on the basis of such understanding could they begin to carry out their specified task. For example, in considering the ways and means of restraining the cost of government by relating expenditures to the continued usefulness of existing programs, the Committee first had to examine and discuss these programs with senior government officials before it could begin to move to a consensus on possible action. Likewise, the requirement that alternative lower-cost schemes of accomplishing the objectives of the Government be considered could be met only by detailed examination and discussion of each existing program.

THE TASK AND ITS LIMITATIONS

The timetable set for the Committee at its initial meetings provided for weekly meetings to take place through the summer and fall. Despite the excellence of the briefings and assistance given by the government members and their staffs in explaining the multitudinous programs, their rationale and objectives, and the results achieved to date, the limited time-frame rendered it difficult for the members to examine the problems to the extent they

would have liked. The members feel it would have contributed materially to their conclusions, for example, had it been possible for them to discuss these conclusions directly with those responsible for the spending programs. Nevertheless, the private members sought and obtained answers to a very wide range of questions and in the process have emerged with a reasonable comprehension of the serious problems facing the Government at this time.

It was decided at the first meeting that the initial approach should be to examine the 1975-76 spending Estimates of at least the major ministries in the four policy areas of General Government, Justice, Resources Development, and Social Development. This examination had two main objectives:

- to help the Committee to develop an understanding of the organization, functions, and responsibilities of the various ministries; and
- to allow the Committee to identify the major areas of concern within its terms of reference.

This preliminary examination of the 1975-76 spending Estimates encompassed 20 ministries in the four policy fields. While this review served to provide the Committee with a broad perspective on the existing organization of the Government and the nature of the various spending programs, the form in which the Estimates are presented - being limited, for the most part, to accounting classifications - made it necessary for the members to ask

a great many additional questions about actual costs and revenues. For example, many of the spending Estimates on federal-provincial shared-cost programs are recorded on a gross expenditure basis, without disclosing the extent of federal assistance, which in fact is recorded as revenue. We have, however, been advised that the form of the Estimates will be considerably improved in 1976-77 to provide a better basis for comparison among administrative programs.

Following this introductory examination of the 1975-76 proposed spending, the Committee turned its attention to those areas of major spending which it felt should be examined and discussed these directly with officials from the Ministry of Treasury, Economics and Intergovernmental Affairs, Cabinet Office, and the Management Board Secretariat, as well as many senior ministry officials.

These areas, each of which is the subject of a separate chapter in this report are summarized as follows:

- post-secondary education;
- health care;
- social security;
- local government organization and financing;
- capital expenditures;
- institutional care;
- administration of justice; and
- some other significant expenditure areas.

The Committee also addressed itself to a number of other areas in which expenditure problems

transcended the issues involved in specific programs:

- management and administration;
- duplication of government programs;
and
- public sector manpower.

It became abundantly clear during discussions of these major spending areas that great pressures exist in a number of ministries to increase their spending very substantially for a variety of undoubtedly worthy objectives. The Committee members were, however, unanimous in feeling that such requests, however desirable, had simply to be cancelled, reduced, or postponed indefinitely in favour of achieving the all-important goal of cutting back spending in order to live within our means.

CONTINUING THE WORK OF THE COMMITTEE

In view of the critical problems facing the Provincial Government today in the area of its public spending programs, we believe that it would be in the public interest if some method could be found to continue the studies initiated by the Special Program Review and further to examine and develop our recommendations on an ongoing basis.

This could take the form of a continuing committee or body representative of government and the private sector, which, by utilizing the resources presently available within the Government, could not only analyze proposed spending programs and projects, but also perform a much-needed function in evaluating the performance of existing ones. It should be an independent non-political body concerned only with examining the social and economic impact of such programs.

OTHER REVIEWS OF GOVERNMENT EXPENDITURE

The 1974-75 Annual Report of the Ontario Economic Council outlines a number of studies that the Council proposes to undertake on government spending during 1975-76. The studies of particular interest to the Special Program Review Committee are in the areas of education, health care, social security, and housing. We look forward to the early publication of the reports of the Council as an additional insight and perspective into ways and means of controlling program expenditures.

ORGANIZATION OF THE PROVINCIAL GOVERNMENT

The policies and actions of the Government are responsible for its spending levels today. One of the principal factors that has influenced the organization of the Government over the past five years is the implementation of many of the recommendations of the Committee on Government Productivity (COGP), which conducted its studies between 1969 and 1973. In describing its main findings and recommendations, the COGP stated that it was imperative that the best and most appropriate management practices be adopted to employ limited revenues efficiently and effectively.

It was against the background of the COGP recommendations that the Government reorganized and consolidated a large number of its ministries in 1972. It reduced the then 21 ministries to 17 and added three coordinating committees or policy fields, each chaired by a minister. It also established the Management Board under the direction of a minister.

Since that time, three new ministries have been created in response to emerging public issues -

Housing, Energy, and Culture and Recreation.

The 1975-76 spending Estimates of the Provincial Government show the extent to which costs have increased and continue to increase each year. These cost increases are very substantial, reflecting as they do not only the creation of new administrative functions, but also the expansion of existing ones as each requires more money year after year. This is due to the increasing number of programs and additional tasks undertaken annually by the Government. A proportion of these cost increases unquestionably arises because the central financial controls are not being effectively applied to the proposals of individual ministers.

We believe that a cut-back in all expanding programs must be faced up to if their costs are to be contained. It is essential that all spending decisions taken by Cabinet through its Policy and Priorities Board be based on a full appreciation of their long-term as well as their short-term financial consequences and our ability to pay. The Government must recognize that these decisions invariably mean increased future spending, because more people are employed and their salaries are constantly increasing. It is not good enough to examine costs after the programs are committed. We believe it is essential that strong centralized financial control exist whereby all spending of any nature is examined in depth, authorized, and approved before any expenditure commitments are made.

We also believe that the organization of the Provincial Government should be the subject of continuing independent examination in depth to determine what reductions and administrative

savings can be achieved in terms of its size, functions, and cost, and to recommend what steps should be taken to strengthen centralized financial control. These ideas are developed in more detail in Chapter 4 and are reflected in recommendations 4.1 and 4.9.

LEGISLATIVE CHECKS AND BALANCES

Throughout our consideration of the 1975-76 spending Estimates, we have been acutely conscious of the role of the legislative bodies responsible for scrutinizing spending Estimates and later in Public Accounts and the Report of the Provincial Auditor. The work of the Committee on Estimates is of great importance, and it is hoped that our own report may be of assistance to this Committee in the days ahead. It might be of material assistance to this Committee if some independent, outside advisory group were established, which, in cooperation with the Management Board Secretariat, could brief this important Committee on the major issues contained in the Estimates.

ASSISTANCE FROM THE PUBLIC

The Special Program Review Committee made an early decision to invite assistance from the general public in carrying out its review. Accordingly, advertisements were placed in newspapers throughout Ontario during July 1975. (A copy of the advertisement is reproduced in Appendix II to this report).

In total, over 100 letters were received and subsequently acknowledged. All but six of the letters were from individuals; the exceptions were submissions from various associations, municipalities,

and national bodies. We would have welcomed a wider response to our advertisement, particularly from those national bodies and associations which are actively expressing their views elsewhere on problems related to public spending.

If time had permitted, we would have liked to meet with some of the respondents, because a number of the ideas submitted merited further discussion. We take the opportunity here to express our appreciation of their interest. A summary of the recommendations proposed by these individuals and organizations is presented in Appendix II.

RECOMMENDATIONS

We have established certain basic principles or criteria against which we have sought to judge existing government policies and the results of the various ongoing programs coming under our examination. These principles and the basis on which they were developed are set forth in Chapter 3.

The recommendations resulting from our examinations are presented in the chapters that follow, in the context of specific expenditure areas. The 184 individual recommendations are summarized in Appendix III.

POTENTIAL EXPENDITURE REDUCTIONS CONTAINED IN THE RECOMMENDATIONS

In assessing the financial implications of our proposals, it must be emphasized that there has not been time to establish detailed estimates. We have been obliged, therefore, to resort to figures which, at best, indicate the order of

magnitude of the financial implications.

We have identified two kinds of expenditure reductions that the Ontario Government can make over the next two years. The first kind of expenditure reduction is achieved by reducing the growth rate of expenditures by a variety of economy measures. These include the elimination of certain tasks now being performed and the provision of others with less manpower and other resources, as well as sharp reductions in the recent growth rates of certain programs and the cancellation or postponement of planned increases in others. The recommendations related to this first kind of expenditure reduction, if all implemented, would reduce expenditures by approximately \$630 million in 1976-77 and \$1,060 million in 1977-78. Details are shown in Table 1-2.

The second kind of expenditure reduction results from recommendations that shift the responsibility for expenditure from the Province to the federal government, the municipalities, other program delivery agencies or individuals. Although shifting expenditure does not immediately reduce the level of public sector spending, we believe that once responsibility has been shifted, the public will identify where the responsibility rests, and demands for service and expenditure increases should subsequently decrease. Table 1-3 outlines the shifts in expenditures that would result in 1976-77 and 1977-78 from implementing these recommendations. The total expenditure reductions from both kinds of recommendations are summarized in Table 1-4.

ESTIMATED EXPENDITURE REDUCTIONS
OF RECOMMENDATIONS
(\$ MILLIONS)

Table 1 - 2

<u>Expenditure Area</u>	<u>1976-77</u>	<u>1977-78</u>
Health Care	80	150
Social Security	130	310
Capital Expenditures	320	450
Other	100	150
Total	630	1,060

ESTIMATED EXPENDITURE SHIFTS
OF RECOMMENDATIONS
(\$ MILLIONS)

Table 1 - 3

	<u>1976-77</u>	<u>1977-78</u>
To the Federal Government	180	200
To Municipalities or Other Program Delivery Agencies	480	610
To Individuals	<u>230</u>	<u>270</u>
Total	890	1,080

ESTIMATED TOTAL EXPENDITURE
REDUCTIONS AND SHIFTS
(\$ MILLIONS)

Table 1 - 4

<u>Year</u>	<u>Expenditure Growth Reductions</u>	<u>Expenditure Shifts</u>	<u>Total</u>
1976-77	630	890	1,520
1977-78	<u>1,060</u>	<u>1,080</u>	<u>2,140</u>
Total	1,690	1,970	3,660

CHAPTER 2

THE EXPENDITURE PROBLEM

CURRENT PUBLIC EXPENDITURES

Public expenditures by Ontario have grown from \$2.8 billion in the 1966-67 fiscal year to \$10.3 billion in the 1974-75 fiscal year. By any standard, this is a large increase, and it warrants a close examination of the causes and effects associated with it.

Table 2-1 shows the distribution of public spending by the three levels of government in Ontario and the rest of Canada since 1966. While all governments have increased their budgets as a share of Gross Provincial Product (GPP), the increases have not been uniform. The largest absolute increases in budgets occurred at the provincial level between 1966 and 1971. Since 1971, however, provincial and local government budgets have declined slightly, with Ontario's performance in this respect being substantially better than that for Canada as a whole.

These data should be interpreted with care. In particular, the recent reduction in Ontario's share of public expenditures appears to be explained more by the high rate of economic growth between 1971 and 1974 than by the imposition of strict controls on provincial government spending. In fact, as Table 2-2 shows, actual expenditures have increased at a high rate of growth since the mid-1960s. In the present period of relatively slow economic growth, Ontario's share of GPP could well leap to a much higher plateau unless effective controls are introduced.

PUBLIC SPENDING IN ONTARIO AND
THE REST OF CANADA, PERCENTAGE OF
TOTAL OUTPUT, 1966, 1971, AND 1974

Table 2 - 1

<u>Level of Government</u>	<u>1966</u>	<u>1971</u>	<u>1974</u>
Ontario			
Federal	11.6	12.5	14.1
Provincial	6.4	11.3	10.7
Local	8.3	9.5	8.4
Total	26.4 ¹	33.3	33.2
Rest of Canada			
Federal	13.6	14.6	17.2
Provincial	10.6	15.0	15.3
Local	7.3	8.4	8.0
Total	31.5	38.0	40.5
All of Canada	29.5	36.1	37.5

¹ Column does not add because of rounding.

Source: Taxation and Fiscal Policy Branch, Ministry of
Treasury, Economics and Intergovernmental Affairs.

Table 2-2 is particularly important because it shows the breakdown of expenditures into eight of the major spending categories that are discussed in various chapters of this report. It also indicates the amount of interest on the public debt and expenditures on pension funds and deposit, trust, and reserve accounts, as well as the overall growth rate in provincial spending. Over the second four-year period, the aggregate growth rate decelerated, from 19.7 per cent in 1966-1970 to 15.5 per cent in 1970-1974. This difference is understated because of the higher rate of inflation in the latter period. With respect to individual categories, the following facts should be noted:

- Currently, about 60 per cent of the budget is transferred to municipalities, school boards, hospitals, and post-secondary institutions.
- In both periods, the greatest percentage increase in expenditures was for payments to individuals (through income support programs), with expenditures in 1974-75 being almost nine times as high as in 1966-67.
- Expenditures for colleges and universities increased five-fold, the second fastest rate of growth in 1966-1970.
- Capital expenditures increased more slowly than spending in any other area.

COMPOSITION OF TOTAL PROVINCIAL EXPENDITURES,
ONTARIO, 1966-67, 1970-71, AND 1974-75

Table 2 - 2

Expenditure Category ¹	Amount of Expenditures (\$ Millions)			Annual Growth Rate (%)	
	1966-67	1970-71	1974-75	1966-1970	1970-1974
Health Care	464	1,237	2,022	27.8	13.1
Payments to Local Governments	519	1,088	2,007	20.3	16.5
Capital Expenditures	877	1,212	1,664	8.4	8.2
Other Provincial Programs	340	593	1,393	14.9	23.8
Social Security	117	421	1,019	37.6	24.8
Post-Secondary Education	170	549	834	34.1	11.0
Interest on the Public Debt	107	253	589	24.0	23.5
Institutional Care	128	264	483	19.8	16.3
Administration of Justice	63	144	247	23.0	14.4
Pension Funds, Deposit, Trust, and Reserve Accounts	37	34	60	-2.1	15.4
Total Expenditures ²	2,822	5,795	10,318	19.7	15.5

¹Ranked in decreasing order of magnitude for 1974-75.

²Total budgetary and non-budgetary expenditures as reported in the Public Accounts of the Province of Ontario. The figures for 1974-75 include tax credits and losses on revenues from OHIP premiums.

Source: Taxation and Fiscal Policy Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.

After reviewing many submissions concerning various aspects of public expenditure in Ontario, we have identified three basic causes of this pattern of growth: changes in the composition and rate of growth of Ontario's population, inflationary factors, and general economic growth and the expansion of demand for public services. These factors, which together have produced massive shifts in the emphasis and scope of Ontario's spending programs, are discussed in turn in the section that follows.

BASIC CAUSES OF EXPENDITURE GROWTH

Composition of the Population

Ontario's population has grown rapidly in the last decade - by almost one and one-half million persons - and so has the need for more basic people-oriented services and transfer payments. As shown in Table 2-3, however, the composition of the population is continually changing. The significance of this shifting structure is that it leads to changes in social priorities for public expenditure.

For example, in the mid-1950s, the largest increase in population occurred in the 5-19 age group, reflecting the impact of the post-war baby boom. This concentration required a heavy emphasis on the provision of educational facilities throughout the 1950s and in the early to mid-1960s. Later, as the rate of increase suddenly eased and the formerly young component of the population matured and moved out into the labour force, the demand for educational facilities contracted and other priorities emerged.

INCREASE IN ONTARIO POPULATION BY AGE GROUP,¹
 ACTUAL 1956-1971 AND PROJECTED 1971-1991
 ('000 PERSONS)

Table 2 - 3

Age Group	Actual				Projected			
	1956-1961	1961-1966	1966-1971	1971-1976	1976-1981	1981-1986	1986-1991	
0-4 Years	111	6	-109	51	67	36	-21	
5-19 Years	368	353	227	-27	-62	-6	152	
20-24 Years	22	98	189	69	86	10	-122	
25-64 Years	276	208	358	461	478	533	467	
65+ Years	54	60	77	66	90	89	128	
Total Increase	831	725	742	620	659	662	604	

¹The table shows the absolute increase or decrease for each category during each time period. For example, in 1976, there will be 27,000 fewer people aged 5 - 19 than in 1971. Also, the data assume net annual in-migration of 50,000 and a reduction in the fertility rate to 1.68 births per woman by 2001.

Sources: Statistics Canada, *Census of Canada*, and projections prepared by the Economic Analysis Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.

Thus, during the 1970s, the focus of public spending necessarily shifted towards meeting the needs of a growing labour force (the 25-64 age group). The Province accordingly accelerated its investment in job creation programs, the development of new communities and the expansion of existing ones, housing, and the provision of sewage and public transit services. More recently, increases in the numbers of senior citizens are signalling new demands for income support, health care, and social services.

These changes in the age composition of the population have been almost overshadowed by concurrent changes associated with urbanization. In 1961, 47 per cent of Ontario's population resided in urban centres of 100,000 or more; by 1971, the proportion had climbed to 54 per cent, and it is still increasing. This trend increases the demand for water supply, environmental and transportation systems, housing, and community services - all of which are financed largely by the Province.

The Province has made a concerted effort to redirect priorities as new needs have arisen, but the effectiveness of this effort could be substantially improved. A case in point is the field of education, where operating costs, in particular, have continued to rise despite a steady decrease in enrolment.¹ Moreover, in all programs, close attention must be paid to demographic projections of client groups so that increases, *and especially decreases*, can be planned for in an orderly manner.

¹ See Chapter 10 for statistical evidence of these increases.

Inflationary Factors

Almost 65 per cent of the Province's expenditures are for wages, salaries, and fringe benefits, either directly to provincial employees or indirectly to employees of local government and other agencies. These expenditures, as well as others on construction and goods and services, have a clear tendency to rise in concert with increases in prices, if not at a higher rate.

Wage settlements, for example, have increased wages by 11 to 22 per cent in the past year, with the highest increases occurring in the lowest-paid occupations. Many public sector wage settlements have significantly exceeded the rate of inflation in consumer prices.² In addition, the price of almost all materials, supplies, and services used by the Province has increased significantly. The cost of borrowing also has increased as interest rates have risen in response to inflationary conditions. Yet another example is spending on social security through the General Welfare Assistance and Family Benefits Allowance programs, for which expenditures have increased by 67 per cent since 1966, mainly to compensate for the impact of inflation.

Since most of these cost increases are not directly avoidable, they pose a serious problem for the operation of government. As users of services and regulators of the economy, governments must accept the control of inflation as a very high priority among their many concerns. As a first step, they must set a strong example to other organizations and

²Details are provided in Chapter 6 of this report.

individuals by restraining their spending and holding the line on wage and salary increases.

Economic Growth and Expansion of Public Wants

The growth of public expenditures during the past decade is only partly explained by population changes and inflation. The areas in which the largest increases have occurred - income support and redistribution, post-secondary education, and health care - have all involved substantial new public services and benefits. For example:

- The property, sales, and pensioner tax credits and the Guaranteed Annual Income System have been introduced to reinforce the social security network.
- Colleges of applied arts and technology have been brought into operation, and the university system has been significantly expanded.
- Universal health insurance has been introduced.

In the last two cases, of course, public expenditures have partially replaced activities formerly carried out by private enterprise. Other expenditures have been directed to filling new needs defined by a society that feels it can afford greater help for its less fortunate members.

Underlying these examples is the fact that increased income per capita, which results in increased

demand for private sector goods and services, also creates new demand for public sector services. In addition, requirements for community infrastructure increase:

- As house and lot sizes have increased through suburbanization, the costs of road building and maintenance, storm and sanitary sewers, and urban transit have increased more than proportionately.
- There has been a continuing increase in the use of and demand for transportation and recreational services.

ADMINISTRATIVE PROBLEMS

As noted in the preceding section, there has been a rapid increase in new programs and services within the Ontario Government. Inevitably, this has led to administrative problems that now require attention. Generally, these problems are of two types:

- shared responsibility for programs;
and
- excessive use of some public services.

In the pages that follow, some of the difficulties that we have identified are briefly reviewed. More detailed discussion can be found in chapters 4 and 5. Another important problem area is the use of manpower in the public sector. This is discussed in detail in Chapter 6.

Shared Responsibility

The program structure of the provinces, the federal government, and local government is already vast and complex, and growing more so every day. All levels of government, as well as private agencies, provide cooperative or concurrent programs in a broad range of social fields, including health, education, housing, energy, agriculture, and transportation. Given the range and diversity of activities, inevitably a degree of duplication and competition between programs has developed. Thus, any attempt at rationalizing programs at the provincial level must begin with the disentangling of intergovernmental overlaps in funding and delivery. There are two basic problems to resolve:

- Duplication. In some cases, the federal government and the Province provide and independently fund competing programs. For example, there are a number of closely similar programs in the field of housing, such as the federal Assisted Home Ownership Program and the provincial Preferred Lending Program; the federal LIP program duplicates some community services provided by the Province and by municipalities; and all three levels of government provide a range of incentive packages for industrial location.³

³Other areas of potential overlap are identified in Chapter 5.

- Lack of Flexibility. Almost \$4 billion of gross provincial spending falls within federal-provincial shared-cost programs, 90 per cent of which is accounted for by medical and hospital care, post-secondary education, and social security. Although federal-provincial duplication may be reduced in areas financed by cost-sharing agreements, flexibility to improve productivity and administration also is reduced; for the administrative priorities of one level of government may not correspond to those of another. Moreover, in some instances, provincial administrative decisions have been designed to "maximize" returns under a shared-cost program.

While resolution of these problems is clearly beyond the exclusive control of the Ontario Government, some improvements can be made at the provincial level. Later chapters of this report outline specific recommendations for such improvements in various program areas.

Similar conditions exist in programs whose costs and/or administration are shared between the Province and municipalities or other organizations. Over 60 per cent of Ontario's spending, both operating and capital, is transferred to non-provincial agencies, primarily local government, school boards, hospitals,

and post-secondary institutions. But provincial expenditures do not always reflect or support the priorities of the recipient bodies. Moreover, conditions attached to provincial funding tend to generate unnecessary administrative costs.

In the past, the Province has greatly increased its transfer payments to local governments to enable them to tackle growing urban problems without significantly increasing local property taxes. In addition, the property tax credit has been introduced, at considerable expense to the Province, to eliminate or reduce the property tax burden on people in low-income groups. Although these are undoubtedly worthy initiatives, the Province simply cannot afford to bear the lion's share of financing new programs at the local level. The issue of local responsibility and decentralization of government is explored in the next chapter. Here, we simply note that local government should assume more direct responsibility to local taxpayers for financing new and expanded services. At the same time, the public should be made more aware of the true costs of the services they receive from local government.

Quality and Use of Public Services

One of the most difficult questions facing those concerned with the rate of increase in public spending is the provision of public access to and use of government services. In this important area, public attitudes as much as improvements in efficiency will determine future success in holding down costs.

The most expensive programs financed by

the Province provide direct services to the public in the areas of health, education, social services, and housing. Many of these programs no longer serve small, carefully defined sectors of the population but have become generally accessible to all residents of the Province. Also, many members of the public are beginning to use available services more frequently than they have in the past. For example:

- Visits to physicians, and particularly specialists, are increasing.
- A greater percentage of the population attends post-secondary institutions for longer periods of time.
- As additional free or low-cost social services are made available, demand quickly exceeds supply and new pressures arise for further expansion.

Superimposed on these trends are increasing pressures, both from the public and from professional groups, to upgrade the quality of services provided. For example, hospitals demand the most up-to-date equipment, and users of health services desire access to the very latest medical technology.

These three types of demand - for universal access, frequent use, and high-quality service - have placed an enormous burden on provincial finances over the past five years. The Government has responded with some cost-cutting and control measures, designed to limit expenditures while maintaining quality.

These measures do not, however, appear to have gone far enough, as is evident from the cost data presented through this report.

Quality and use of services clearly constitute one of the most important problems that must be addressed in devising controls for future public expenditures. But, at the same time, these issues are not easily resolved. People would like to have universal, ready access and high quality of service in health, education, and social services. But when the cost implications of fully implementing these principles are projected into the future, the potential impact is devastating and far beyond our means.

CHAPTER 3

PRINCIPLES FOR EXPENDITURE CONTROL AND PROGRAM DEVELOPMENT

As noted in Chapter 1, in the course of carrying out its mandate, the Special Program Review Committee has developed a set of principles that will provide clear guidelines, in the short run, for the implementation of cost-cutting measures and, in the longer run, for the future development of government programs. It is on these principles, described in the pages that follow, that the recommendations of this report are founded.

THE ROLE OF GOVERNMENT IN THE ECONOMY

Maintaining Economic Growth

Since the Second World War, Ontario has experienced a period of continuous economic growth. This is a healthy trend; indeed, it is necessary to the maintenance of a high standard of living and to the perpetuation and enhancement of programs and services provided by the Government. Thus, as its first principle, the Committee proposes that:

Government policy should continue to be directed towards the goal of economic growth.

Notwithstanding the desirability of this goal, the current economic situation, poised as it is between recession and inflation, requires careful

management of the demand for and supply of goods and services. Production in the private sector needs to be stimulated to create jobs. At the same time, total demand pressures in the economy must not be allowed to build up and further contribute to inflation. In short, what is required is the development of a strategy for not only maintaining but also controlling economic growth. The Committee therefore proposes that:

The expenditures of the Ontario Government as a percentage of the Gross Provincial Product should decline.

It is recognized that this strategy will no longer be appropriate if the economy weakens and anti-recessionary measures have to be introduced.

Responsibility for Services

The past decades have seen a transfer of responsibilities from the private to the public sectors, ranging from welfare in the 1930s to housing support in the 1970s. As government responsibilities have increased, so too have public expenditures and the burden of taxes in relation to total income. In view of rapidly escalating costs, it does not seem appropriate or judicious for the Ontario Government to undertake additional major responsibilities for public services, at least in the immediate future. Indeed, there appears to be scope for transferring back to the private sector

some of the activities that are currently carried out by the Government. For example, new park facilities might be developed by privately operated camping organizations rather than the Province. In addition, fees for the use of both public and private parks might be set at levels to cover all capital and operating costs. Mortgage lending is another area where the Government might achieve its goals better by providing incentives to the private sector rather than by performing this function itself.

Accordingly, the Committee proposes that:

The Government should not at this point in time accept additional major responsibilities for public services but rather should explore the possibility of transferring back to the private sector some of the activities that it currently undertakes.

Government has three basic functions in the economic process: it regulates activities carried out in the private sector; it provides goods and services in its own right; and, through taxes and transfer payments, it redistributes income. In view of these responsibilities, the Committee proposes that:

The Government should act more in its regulatory capacity and less as a provider of services to accomplish its objectives. Such regulation should, however, be limited to establishing the broad framework within which private individuals and organizations may carry out their own activities without undue government influence or control.

Capital Investment

The capital investments of the Ontario Government embrace such activities as building institutions (hospitals, nursing homes, and public buildings), supporting the private sector (through agricultural and industrial assistance), providing community infrastructure (houses, roads, sewers and schools), and purchasing land (for parks, highways, and new communities). These investments are often accompanied by a commitment on the part of the Province to subsidize a proportion of the subsequent operating costs.

Because the planning and construction of capital projects take place over extended periods of time, it is difficult to develop accurate long-range estimates of costs. Indeed, for some capital projects - such as hospitals and public housing - operating costs have proved to be disproportionately high in relation to capital investment. In view of continued inflationary trends and general economic uncertainty, the Committee proposes that:

Caution should be exercised in launching capital projects that commit the Province to providing ongoing operating subsidies.

Investments in community infrastructure make up the largest component of the Government's capital allocations. The Province is heavily involved in financing housing, roads and sewers. Because of the time horizons involved and the magnitude of Ontario's

financial commitments in this area, it might seem expedient to make it the primary target for budgetary cuts. But these investments represent the basic building block for future economic growth. In fact, of all areas of capital expenditure, community infrastructure warrants the most careful consideration by the Government. The Committee therefore proposes that:

Levels of capital investment by the Government should not be restricted to the point where they jeopardize economic growth.

Management of Government Programs

Even to carry out its existing responsibilities without increasing its burden on the economy, the Government will need to control unit costs, improve its operating efficiency, and increase its internal productivity.

The first objective may be achieved by controlling costs associated with program development and delivery, particularly labour costs. In this respect, it is notable that the Province, either directly through the public service or indirectly through local boards and agencies, pays the salary of one out of every six employees in the Ontario labour force. In essence, then, cost control means manpower control, in terms of both the number of persons employed and their wage and salary levels.¹ A strong stand on manpower costs is basic to achieving sign-

¹ Specific recommendations for the types of controls that might be introduced are presented in Chapter 6.

ificant reductions in public sector spending.

A second means of achieving savings is to make trade-offs between programs on the basis of their measured effectiveness and in accordance with established provincial priorities. In recent years, the Province has undertaken important initiatives in education, health, environmental protection, transportation, and community development. The time has come, however, for the Government to adopt a policy of cutting back expenditures on existing programs before investment in new or expanded activities is contemplated. Specifically, the advances that have been made to date should be consolidated, and relatively unproductive programs should be isolated from those that have proven successful or economically justified. Any programs that fall far short of their objectives and/or are judged to be of low priority should be discontinued.

There is further potential for savings through improvements in internal administration. Activities carried out by the various ministries could be better coordinated to achieve maximum efficiency, and unnecessary duplications in administrative support services should be eliminated. Program performance audits also could be improved and extended to encompass all areas of government spending.²

In summary, with respect to program management, the Committee proposes that:

²These concerns are addressed in Chapter 4.

The Government should endeavour to achieve savings by controlling unit costs, improving its operating efficiency, and increasing its internal productivity. Specifically, it should take a strong stand on manpower costs, discontinue low-priority programs, and improve procedures for administering programs.

SOCIAL EQUITY

In recent decades, the provision of services by the Government of Ontario has been guided by the desire to achieve greater equity in society by ensuring that all residents of the province have ready and universal access to public services. The Committee endorses this philosophy but urges that its application be reconsidered in the light of recent experience and current economic factors.

Public Demand and Expectations

If services to the consumer are free, or nearly so - as, for example, health care is in Ontario - demand tends to grow without limit. The Committee proposes that:

The Government should provide services to people whose need is genuine and take appropriate steps to curb excessive or unnecessary use.

One form of control that might be considered is a direct charge for part of the costs of services. Possible application of user fees for post-secondary

education and health care is discussed in chapters 7 and 8 of the report. As a general principle, the Committee proposes that:

Where beneficiaries of programs are only a segment of the total population of Ontario, the specific client group should be required to pay a larger portion of the cost of delivering the program, where they have the demonstrated ability to pay.

The Government is committed to ensuring universal access to services, so that individuals are not denied basic education and health care services through lack of personal income. At the same time, the Government also has the responsibility to ensure that the burden of payment for such services is shared equitably among users. For example, the policy that every student should have access to the best educational facilities available, regardless of geographical location, must be offset against the policy that no taxpayer should be unduly burdened to provide such a service. Extensive, high-cost, free public services - such as education and health care - are currently over-used and under-financed in terms of self-support. The time is ripe for the Government to take a hard look at the equity of both the use and sources of funding of the social services it provides.

Recent experience in Ontario suggests that public expectations regarding the level of services that can be provided by the Government are unrealistic. When services are provided without charge, people also

tend to want them to be provided without inconvenience. In addition, the greater the range and number of services that are provided by the Government, the more some segments of the public expect and demand. Pressures on government are further increased when difficulties of supply arise in the private sector, such as in house building, automobile insurance, and pension plans. The tendency is to lobby for government support or takeover of these activities.

The Committee proposes that:

The public must be made aware of the full cost of government services. The Government should take the lead in fostering realistic expectations about what can be done in the public sector.

Income Redistribution

Income redistribution takes a multitude of forms throughout the Government. Direct transfers, indirect benefits, and the tax system do not assist only the poor, the elderly, and the disabled; rather, through a complex network of programs, benefits are distributed among a host of client groups and geographical regions throughout the province. Recognizing the many advantages of these broad programs for income redistribution, it is clear that assistance to disadvantaged persons must continue to be a priority in Ontario.

There is scope for improvement in the design of existing programs so that their intended client groups

might be better served and, at the same time, cost reductions might be achieved for the Government. The Committee proposes the following principle, with the objective of allocating as equitably as possible the available resources for income redistribution:

Programs that provide money to individuals with the primary objective of augmenting their income should be limited to persons who have a demonstrable need for income support.

Individual Initiative and Self-reliance

As noted earlier, there have been increasing demands on all levels of government to assist in the solution of problems that were once thought to be the exclusive concern of private organizations and individuals. Although it is becoming difficult for government to extricate itself from these problems, much can be accomplished if the principles of private initiative and self-reliance are never lost sight of in the development of government policies.

Some steps have already been taken in this direction. In a number of programs, there have been attempts to de-emphasize high-cost institutional care and establish lower-cost, community-centred alternatives. For example, plans are under way to move individuals from correctional institutions, homes for the mentally retarded, and psychiatric institutions into group homes that offer closer

association with the community environment. Considerable progress also has been made in programs for senior citizens. Here, initiatives have taken the form of meals-on-wheels, home care services, part-time institutional care, and senior citizen residences that provide minimal care facilities on a full-time basis. These programs, which allow recipients to live in their own homes or in a socially amenable community environment, with the security of being provided with the assistance they require, provide a low-cost alternative to the traditional solution of an institutional home for the aged.³

Although much has already been done to develop initiatives of this type, a greater effort could be made by private organizations and individuals to extend social services to those in need. The Committee therefore proposes that:

Individuals and private institutions should be encouraged to search for solutions to social problems that are wholly independent of government or require minimal government involvement and financial support.

DECENTRALIZATION OF RESPONSIBILITY AND AUTHORITY

Allocation of Funds

Currently, over 60 per cent of Ontario government expenditures are directed towards supporting municipalities, school boards, hospitals, colleges,

³The implications of these developments are discussed in Chapter 12.

universities, and other agencies providing services at the local level. A continuing concern of the Government is the problem of preserving the autonomy of such outside agencies in managing their own activities and, at the same time, ensuring that the delivery of services is satisfactory and cost efficient.

In recent years, improvements in the services provided by these local agencies have tended to result from increased levels of financial support by the Province. In broad terms, current levels of provincial support can be summarized as follows: schools, 60 per cent; hospitals, 90 per cent; municipalities, 50 per cent; other agencies, 50 per cent or more.

Such high levels of government support have had the effect of diminishing the incentive of local communities to restrain or restrict demands for new and expanded services. On the contrary, the availability of provincial funds for certain services has tended to stimulate the creation of programs and services by local bodies without necessarily relating them to clearly identified needs. This phenomenon we refer to as leverage.

Under present funding arrangements, the majority of funds transferred from the provincial to the local level take the form of conditional grants. That is, they are awarded for allocation to specific programs or activities as identified in requests for funds submitted by local bodies. Some funds are provided to municipalities in the form of unconditional grants - that is, for disbursement at the discretion of the recipient body - but these amount to a very small proportion of total transfers.

There is some flexibility within the conditional grant system for discretionary use. But the distribution of such funds is seldom conveyed to users of the services involved or to taxpayers, who ultimately pay the provincial bill. Thus, the present funding system does not require enough accountability on the part of recipient organizations for their expenditure of public funds.

With the emergence of regional governments, there has been a desire to shift provincial support from conditional, special-purpose grants to unconditional block funding. This change can provide greater freedom for local governments to establish their own priorities. At the same time, in an effort to restrain increases in mill rates and relieve the burden of the property tax, the Province has significantly increased its levels of support to local governments.

It also should be noted that there is a growing tendency for local bodies to bring their problems directly to Queen's Park. Their appeals for assistance usually take the form of requests for additional financial support; if this is not forthcoming, the Province is often asked to take over the activities in question. This trend has weakened the authority of local bodies, particularly in the field of labour relations.

Responsibility and Accountability

Clearly, there are many difficulties to be resolved in the relationships between the Province and local government agencies. Two alternative solutions are available: increased centralization, or

increased decentralization.

From the point of view of the public, the Province now is ultimately responsible for guaranteeing levels of service, as well as providing financial support to programs. But operating decisions, and therefore costs, are determined at the local level. The options available to the Province are either to take over all operating decisions in the interest of cost control, or to turn back to local agencies the ultimate responsibility for delivery of services. Ontario has chosen decentralization as the better alternative.

We endorse decentralization as a preferred strategy and propose that further efforts be made to achieve cost control under this system. Local agencies should have greater autonomy in delivering services to the community. They also should be held accountable to the Province for establishing program objectives and achieving these objectives with the resources provided.

Local accountability for the use of public funds should be reinforced by a system of budgeting and financing that clearly places responsibility at the community level. The system also should be sufficiently flexible to permit the selection of priorities by local bodies and to accommodate shifts in these priorities over time. To satisfy these requirements, it appears that unconditional grants are the most appropriate form of funding; for if local authorities are to be held accountable; they must be allowed a strong voice in deciding the distribution of resources among the diverse services provided in the community.

The best arrangement to accomplish these ends would be to provide all the resources now transferred to the local sector in an unconditional lump sum payment. The size of the payment would be based on the separate amounts normally transferred to the community for a whole range of public services, also taking into account current constraints on expenditures. Such lump sum payments could further reflect changes in population and municipal tax assessment. Under this system, the complexities of existing formulas, budgeting approaches, and accounting requirements would be replaced with a single coordinated framework for local spending.

Of course, other arrangements, involving less change in the structure of institutions, may be considered. Block grants based on predetermined formulas could be provided for the major expenditure areas, such as health services, education, and all other municipal services. Alternatively, a simple split could be made in funding social services and community infrastructure. These grants would be conditional as to function, but unconditional within the broad function. Another option would be to retain the present conditional grant system for about 80 - 90 per cent of the current level of funding. The balance of the transfer payments to the level of expenditure constraint would be left to local decision makers for allocation among the various service areas. Regardless of which approach the Province selects, the principle of local accountability should be adhered to, and funding arrangements should reinforce the guidelines for social equity and economic stability outlined earlier in this chapter.

The Committee proposes that:

Arrangements for the transfer of provincial funds to the local level should be simple, equitable, and sufficiently flexible to permit local selection of priorities, and locally elected representatives should be held clearly responsible and accountable to the public for the discretionary use of such funds.

A greater proportion of funds allocated to local authorities should be provided in the form of unconditional grants.

CHAPTER 4

MANAGEMENT AND ADMINISTRATION

MANAGEMENT POLICY

The management policy of the Ontario Government has recently been reshaped by the recommendations of the Committee on Government Productivity (COGP), which completed its work in March 1973. The COGP endorsed a style of management more appropriate to deal with increasingly complex problems and the accelerating rate of change occurring in society.

The philosophy that underlies the Government's current management policy includes the following principles:

- The formulation and implementation of government policy will be based on a consideration of all factors and will attempt to anticipate social change, rather than merely react to it.
- Government organization will be flexible to facilitate effective delivery of services to the public.
- More productive use will be made of available human, financial, and material resources.
- Programs will be selected and administered according to their priority: programs that can no longer be justified will be eliminated, and choices will be made between

conflicting programs. In view of the complexity of issues and the increasing demand on resources, these decisions will be based on full information and thorough analysis.

- Policies will be developed that ensure the economical distribution and efficient use of common services.

To put this philosophy into effect, the Government has implemented many COGP recommendations that have changed the structure and process of government. The most significant changes have occurred in policy making and priority setting, resource management, delivery of services to the public, the introduction of program performance audits, and the use of support services within the Government. These aspects of government management and administration are discussed in the pages that follow.

POLICY MAKING AND PRIORITY SETTING

To assist with government policy making and priority setting, a system of Cabinet committees has been established, comprising the Policy and Priorities Board of Cabinet and the three policy field committees (Social Development, Resources Development, and Justice). These committees advise Cabinet on priorities, examine major program proposals to determine their importance and consistency with existing programs, and initiate analyses of major issues.

Following the report of the COGP, the organization of provincial ministries has been re-structured to help improve their policy-making abilities. The planning and coordination of policy making and the setting of priorities have been strengthened by the creation of ministry policy committees and policy groups. To separate policy making from program delivery, ministry policy committees have been made responsible for the former and program managers for the latter. Further, to coordinate these two functions and to help agencies, boards, and commissions to relate more closely to their ministries, program managers and senior policy managers sit on the ministry policy committees. The new system emphasizes the sharing of information and ideas between ministries with related interests with a view to developing policies and setting priorities within the context of broad government objectives and activities.

In addition to the Cabinet committees and the ministry policy groups, the Government relies on advice from other groups, such as the Ontario Economic Council, the Institute for Research on Public Policy, and about 100 advisory committees. In view of the growing demands on its limited resources and the need to curtail its spending, and in keeping with the management principles described earlier, the Government must make the best possible use of its policy-making and priority-setting system.

Specifically, the Government should set future spending priorities to ensure that high-priority programs will get the money they need and low-priority programs will be cut back. Multi-year planning can be

an effective method for achieving this end. This process involves the identification of manpower needs and program costs, the projection of these requirements over future years, and the establishment of priorities in relation to available resources.

To achieve maximum benefit from this approach, the Committee recommends that:

- 4.1 THE MULTI-YEAR PLANNING PROCESS BE STRENGTHENED AND USED BY THE GOVERNMENT AS THE KEY SYSTEM FOR PRIORITY SETTING AND FOR ESTABLISHING FUTURE FUNDING REQUIREMENTS FOR GOVERNMENT PROGRAMS.

To reduce costs effectively and make the best use of available resources, the multi-year planning process must be applied to all aspects of ministry operations. It is particularly important that the agencies, boards, and commissions of the ministries - including those agencies, which, quite properly, are otherwise rather independent of government - conform to the Province's spending priorities and policies on financial restraint. Accordingly, the Committee further recommends that:

- 4.2 AGENCIES, BOARDS, AND COMMISSIONS OF THE ONTARIO GOVERNMENT MUST CONFORM TO THE SPENDING PRIORITIES AND FINANCIAL RESTRAINTS ESTABLISHED BY THE GOVERNMENT.

MANAGEMENT OF RESOURCES

As part of the new style of management that the COGP recommended for the Government, it was suggested that the old system of pre-auditing managerial decisions and government spending be replaced by a system in which decision making would be delegated to managers who would be held accountable for their actions. Under this system, expected results would be predetermined and subsequently used as a means of measuring actual results. This proposal was adopted with the result that decision making in the area of resource management has become increasingly decentralized.

In both the public and the private sectors, there has been a continuing debate over the relative merits of centralized and decentralized decision making. In the private sector, where managers produce results that are largely quantitative and hence measurable, delegation of responsibility is not only feasible but vital, because managers must be able to react to changing market conditions at least as swiftly and ably as their competitors do. In government, the choice between management styles is complicated by the critical need to preserve accountability for decision making, particularly where it is specifically related to the expenditure of public funds. This requirement is often cited as an argument for centralized decision making, since centralization is commonly supposed to reduce the risk of excessive spending that could occur in a decentralized system. The disadvantage of a centralized administration, in government as in the private sector, is that it tends to inhibit a swift and effective response to local

changes in economic and social conditions.

It must be recognized that decentralization already exists in the present government structure. A rapid return to centralization could produce a hybrid organization that contained the worst elements of both systems - a sudden increase in central staff and workload but no corresponding reduction in decentralized units.

We believe that delegated authority and post-auditing of management procedures are important goals. But the Government should not abandon central control faster than the rate at which true accountability can be established. In view of the considerations discussed above, the Committee recommends that:

4.3 FURTHER DELEGATION OF
DECISION MAKING IN
GOVERNMENT NOT BE
PERMITTED UNLESS CLEAR
ACCOUNTABILITY CAN BE
ESTABLISHED IN THE
ORGANIZATIONAL UNIT TO
WHICH AUTHORITY IS
BEING DELEGATED.

Procedures for ensuring such accountability are described in a later section on program performance audits.

DELIVERY OF SERVICES TO THE PUBLIC

To make the most effective use of the resources available, ministries have a degree of

flexibility in their choice of program delivery mechanisms. To provide and maintain the necessary level of service to the public, they can draw not only on their own resources, but also on those of the agencies, boards, and commissions that report to them, as well as independent, non-profit agencies. In addition, they may contract some work out to the private sector.

To provide better local service to the public, program delivery and decision making have been extensively decentralized to regional offices across the province. This approach may improve the level of services provided, but regional offices are expensive to establish and maintain. Before any new regional offices are put into operation, their costs must be weighed carefully against the expected benefits to ensure that expenditures are justified.

The Committee recommends that:

- 4.4 BEFORE FURTHER REGIONALIZATION OF THE DELIVERY OF PUBLIC SERVICES IS PERMITTED, A CAREFUL AND THOROUGH ANALYSIS BE UNDERTAKEN OF THE ASSOCIATED COSTS AND BENEFITS TO ENSURE THAT EXPENDITURES OF THIS TYPE ARE FULLY JUSTIFIED,

PROGRAM PERFORMANCE AUDITS

Cabinet and its committees make decisions on a wide range of policies including legislation, taxation, and budgetary allocations. These decisions

are made with the expectation that they will have a specific impact on the public, that particular benefits will result, and that ministries will achieve a certain standard of efficiency and accomplishment in their programs and activities.

To determine whether decisions have been carried out, what the results have been, and how efficiently resources have been applied, Management Board audits program performance by means of operational reviews and by the criteria set out under a management system known as Managing by Results.

Operational Reviews

Operational reviews have been a function of Management Board since 1971. They contribute to the development of effective management practices throughout the Government and help ministries and agencies to improve the management of their programs. Operational reviews provide an independent and objective evaluation of program delivery. They entail examinations of management practices so as to discover and correct or avoid present or potential problems and weaknesses. They also entail monitoring of the implementation of recommendations that have been put forward by task forces, committees, or commissions and subsequently adopted by the Government.

Operational reviews focus on operating procedures, appropriate and reliable management controls, sound organizational arrangements, efficient internal support services, compliance with Management Board's policies, and conformity with government regulations and directives.

Managing by Results

The Managing by Results (MBR) system emphasizes a commitment on the part of management to produce specified results, and performance is measured against these commitments. The system encourages program managers to convert resources efficiently into identifiable achievements. Ministries also are held accountable for their use of resources in relation to the results achieved. Auditing is accomplished both by the periodic monitoring of progress and by the analysis of performance reports.

MBR, initiated by Management Board in 1973, is in the second year of a four-year plan to test all government programs with this approach. So far, about 111 MBR projects have been developed, covering 17.4 per cent of budgetary allocations and embracing all ministries.

It is expected that 70 per cent of the Ontario budget can be managed through MBR, and Management Board intends to continue auditing programs that vary from their commitments.

Extension of Audit Procedures

While Management Board's program performance auditing assesses both the effectiveness of program management (through operational reviews) and the achievement of stated results (through Managing by Results), it generally assumes that the activities carried out by the Government have the desired impact on the public, and it seldom identifies alternative methods for achieving government objectives. There is a need to extend program auditing procedures to

include program evaluation.

Program evaluation should make it possible for the Government to assess the impact of existing programs and their relevance in relation to established government priorities. Accordingly, it should take the form a systematic review that includes the following components:

- identification of the client group that the program is intended to serve and of the benefits they receive for money spent;
- evaluation of the effectiveness of the program in meeting its objectives in relation to the needs they are designed to satisfy and in relation to any subsequent changes in the political, social, or economic climate;
- identification of alternative methods of achieving objectives; and
- assessment of whether an alternative, less costly program could achieve the same objectives.

As every ministry is responsible for measuring the efficiency of its program delivery in relation to program objectives during the fiscal year, some of these tasks are already being carried out. But it is difficult to obtain a completely impartial assessment of programs, because public institutions have an inherent tendency to grow. It is indicative that Management Board receives many proposals for the expansion of current programs or the creation of new

ones but few, if any, suggestions for program cuts. An effective program evaluation audit would provide the Government with unbiased information by which to determine the need for adjustments in funding priorities. This function would be particularly valuable to the Policy and Priorities Board, the policy field committees, and the ministries, and possibly also to the Legislature. It should be noted that, because program evaluation is designed to provide only factual data, political value judgements are not part of an audit procedure.

The evaluation process we envisage will demand considerable time and expertise; therefore, the choice of programs to be reviewed should be very selective and the terms of reference for each review very precise. The process should also be kept relatively simple. Undue emphasis should not be placed on the undertaking of costly and complex systems analyses or operations research studies, as has happened in other jurisdictions.

Program evaluation, properly applied, is a multi-disciplinary method of auditing. It also requires the contribution of information from groups and individuals who deliver and receive services. We feel that there are substantial benefits to be gained from the examination of government operations by a group whose membership includes individuals from the private sector, both within and outside client groups, as well as public servants. Accordingly, we suggest that program evaluations might well be conducted by people recruited from the private sector, from the ministry or ministries involved in delivering the specific programs, and from the central agencies.

The information derived from a program review would be diverse as to content and detail, but it should include the identification of reliable performance indicators. These indicators are a means of measuring the output of a given program or activity, in the same way that the resources used (such as manpower and material) represent the input. These measures are useful in evaluating what has been achieved for the dollars spent. They can range all the way from simple workload statistics and unit costs to more subtle measurements of the extent to which a program is achieving its objectives.

In summary, in these days of expenditure restraint, Cabinet is faced repeatedly with deciding which programs should be contained at their present level and which should be reduced in size. To assist the Government in assessing alternatives and to ensure, insofar as this is possible, that its decisions are consistent with the efficient and effective use of public funds, the Committee recommends that:

- 4.5 THE GOVERNMENT DEVELOP A CAPABILITY FOR EVALUATING SPECIFIC PROGRAMS SELECTED BY CABINET FOR REVIEW. THE EVALUATION TEAM SHOULD REPORT TO CABINET AND SHOULD INCLUDE MEMBERS FROM THE PRIVATE SECTOR, FROM THE MINISTRY OR MINISTRIES INVOLVED IN PROGRAM DELIVERY, AND FROM THE CENTRAL AGENCIES.

USE OF SUPPORT SERVICES

Recent Expenditure Growth

The Ontario Government's total budgetary expenditures doubled in the five years from 1970-71 to 1975-76. In contrast, expenditures on administration increased 2.3 times. This greater increase in administrative expenditures is due mainly to the Government's implementation of recommendations made by the Committee on Government Productivity for improvement of administration in the Ontario public service. These recommendations covered finance and accounting, policy planning and analysis, communications, and the use of human resources.

Specifically, in the interest of meeting the need for accountability and providing an adequate level of service through the expenditure of public funds, the COGP recommended that the Government introduce post-auditing procedures and expand the accounting staffs of the ministries, where necessary, to carry out this function. In addition, improvements were proposed in the area of policy planning and analysis, both in the ministries and in policy coordinating staffs. To provide effective channels of communication between the Government and the public, information staff and related resources were added to most ministry support groups. And finally, to achieve a more effective use of human resources, manpower planning and management development programs were introduced, responsibility for personnel classification was delegated to the ministries, and greater emphasis was placed on goal setting and review. While all these changes have undoubtedly

contributed to an improvement in government productivity, they have done so at the cost of incurring significant increases in administrative overheads.

In an attempt to restrain the increasing rate of growth in expenditures on administrative support services, in July 1975 the Treasurer of Ontario announced a number of measures designed to cut costs in this area.¹ In particular, a staff cut of 1,500 is to be achieved by March 31, 1976, saving about \$7 million in 1975-76 and reducing expenditures over a one-year period by \$18-20 million. In addition, all other direct operating expenses are to be reduced by at least 10 per cent, and further reductions are to be made in expenditures on consulting and data processing services. Savings in the administrative area are expected to exceed \$10 million in 1975-76 and \$20 million in 1976-77.

The effect of the Supplementary Actions in 1975-76 is to bring down administrative costs from 1.18 per cent to 1.06 per cent of total budgetary expenditures. Although this does not reduce these costs to the 1970-71 proportion, it should achieve this effect in 1976-77. These data (with the exception of a 1976-77 forecast) are shown in Table 4-1.

Although most of the disproportionate increase in costs took place from 1970-71 to 1973-74, administrative costs have grown rapidly throughout the period 1970-71 to 1975-76. Table 4-1 shows the year-to-year changes. The biggest percentage increase took place between 1974-75 and 1975-76, when costs went up 24.5 per cent, reflecting the larger

¹See "Supplementary Actions to the 1975 Ontario Budget", Ontario, July, 1975.

ONTARIO GOVERNMENT EXPENDITURES ON MINISTRY
SUPPORT SERVICES, 1970-71 TO 1975-76

Table 4 - 1

	<u>Expenditure</u> (<u>\$ Millions</u>)	<u>Percentage Increase</u> <u>Over Previous Year</u>	<u>Support Services as</u> <u>a Percentage of</u> <u>Budgetary Expenditures</u>
1970-71	\$ 51.0	-	0.98%
1971-72	64.9	27.2%	1.04
1972-73	73.0	12.4	1.10
1973-74	82.8	13.4	1.15
Interim 1974-75	98.1	18.5	1.11
Estimates 1975-76	122.1	24.5	1.18
1975-76 After Supplementary Actions	109.9	12.0	1.06

Source: Extracted from the Public Accounts and Annual Estimates of the Province and, to the extent practicable, restated where necessary to conform with the 1975-76 presentation. Because of the variety of formats, both from year to year and from ministry to ministry, these data are presented for comparative purposes only.

increase in wages in 1975 than in 1974. In addition, administrative costs in two new ministries - Housing, and Culture and Recreation - raised the total amount by more than \$3.5 million. The latter effect reinforces the argument against any further additions to the number of ministries presently operating in the Ontario Government. Such additions inevitably lead to increased administrative costs.

In view of the disproportionate increases that have occurred in administrative support costs in the past, we believe these expenditures should receive a more intensive review following global allocations to the ministries by Cabinet. The Committee therefore recommends that:

4.6 EXPENDITURES ON MINISTRY
SUPPORT SERVICES BE HELD
TO ZERO GROWTH IN 1976-77
AND NO ALLOWANCE BE MADE
FOR INFLATION.

Any proposals for organizational change that will help to achieve the objective of this recommendation should be treated as items of the highest priority when reviewed by Management Board.

Assessment of Specific Support Areas

In Measure No. 8 of the "Supplementary Actions to the 1975 Ontario Budget", the Government called for a review of support areas concerned with research, statistical, planning, and internal services

and with administrative units. The objective was to reduce the number and size of such units, while improving the effectiveness of government operations.

To implement this measure, we were requested by the Management Board to examine three of the more closely related and interdependent support areas. For this purpose, separate study groups were appointed to undertake:

- an inventory of research activities in the Ontario Government;
- a re-examination of the recommendations of the Management Board Committee on Central Statistical Services in the Ontario Government, including a review of the provision of statistical services, both centrally and in the ministries, with a view to determining appropriate ways of meeting current needs in light of expenditure constraints;
and
- an inventory and review of planning units involved in policy planning and program analysis.

The results of these studies were presented to the Committee. In the time available to us, however, we could not carry out a detailed review of the reports or thoroughly consider their conclusions. We therefore suggest that further action be taken in each of the areas reviewed, as outlined below.

Research Activities. The report on research activities provides a catalogue of the research

and development work currently being done by the Province. It highlights some concerns with respect to coordination, interministry communications, relevancy, and in-house versus contract needs. But in the time allotted, the study group could not complete an objective and thorough assessment of all the government research that is currently planned or under way. For this reason, their report does not comment on the quality or relevance of the work being done. The Committee therefore recommends that:

- 4.7 CABINET INITIATE AN INDEPENDENT ASSESSMENT OF THE SCIENTIFIC ACTIVITIES OF THE GOVERNMENT WITH A VIEW TO ENSURING THAT GOVERNMENT RESEARCH IS RELEVANT AND DIRECTED TOWARDS CLEARLY DEFINED, PRACTICAL OBJECTIVES.

Statistical Services, and Policy Planning and Program Analysis. We believe that action in these areas falls within the mandate of the Management Board. We cannot fully assess either the details involved or the widespread effects that could result from implementation of the recommendations in these reports. We should point out, however, that we have incorporated into the first section of this chapter some of the conclusions reached by the policy planning and program analysis study group.

The Committee recommends that:

- 4.8 MANAGEMENT BOARD TAKE IMMEDIATE ACTION TO DEAL WITH THE SPECIAL STUDY GROUP REPORTS ON

STATISTICAL SERVICES AND POLICY PLANNING AND PROGRAM ANALYSIS.

POTENTIAL REDUCTIONS IN GOVERNMENT OVERHEADS

The Ontario Government consists of 20 ministries, four central agencies headed by ministers, the Office of the Premier, and the Cabinet Office, the latter two each having deputy ministers reporting to the Premier. This structure represents, in addition to the Premier, 23 ministers with portfolio and 27 deputy ministers. These figures exclude ministers without portfolio, heads of agencies, and other senior officials with deputy minister status. The 20 ministries, while having some common services provided through the Ministry of Government Services, represent 20 separate organization structures containing senior and program management components.

It is likely that within this whole structure there is considerable opportunity for reductions in administrative overheads. We recognize that the desire to reduce overheads can conflict with the political need to act perceptibly and forcefully in areas of current importance. The recent creation of the ministries of Housing, Energy and Culture and Recreation is a reflection of this need. But the overwhelming necessity to control government expenditures requires a regular, critical review of government structure, so that a proper balance can be achieved between short-term and long-term considerations.

Alternative Measures

In seeking alternatives for reducing administrative overhead costs, it could be useful to examine ministerial relationships and responsibilities, such as the need for ministers without portfolio and the concept of having two or more deputy ministers report to one minister. These aspects of government administration, however, have little impact on administrative costs; and since they are matters of political consideration, we have not examined them at length.

There are two main areas where savings might be made:

- through the merging of whole ministries; and
- through further consolidation of support functions and/or central agencies.

These possibilities are discussed below. A third alternative is to undertake a major restructuring and reallocation of program areas with a view to reducing the number of ministries. An assessment of this option would, however, require, a detailed analysis of government structure, and it is beyond the scope of this Committee to conduct such a study.

Mergers of Ministries. The merging of whole ministries would provide several positive results:

- a reduction in the number of senior positions, including ministers;
- an opportunity to consolidate some program delivery and support functions;

- closer coordination of policy planning and program delivery; and
- more effective use of space, systems, and staff.

Adverse effects would be:

- reduce visibility of currently or potentially sensitive areas;
- increased ministerial and senior management responsibility in terms of sheer size and complexity, possibly beyond acceptable levels; and
- the risk of imposing common philosophies and styles on program areas which, though similar, may require different treatment.

Using the criterion of program similarity, mergers might be considered for the ministries of Education, Colleges and Universities, and Culture and Recreation. Programs in those areas are so closely related that in most Canadian jurisdictions the functions are divided between only two ministries. Two groupings are possible: Education, and Colleges and Universities; or Colleges and Universities, and Culture and Recreation.

The first alternative, although linking the two major sources of educational funding, would tend to submerge the university aspect. It would also mean that approximately 55 per cent of the Ontario budget would be administered by two ministries - the expanded Education ministry, and Health.

The second alternative, which recognizes the considerable affinity between culture and university affairs, could be achieved only by disbanding the existing Ministry of Culture and Recreation. We note that this Ministry was established within the last year to meet a recognized need, and there is therefore some question as to whether its dissolution would be appropriate.

Another two possible candidates for merging are the ministries of the Solicitor General and Correctional Services. Ontario is the only government in Canada with a separate correctional services ministry. There is an obvious affinity between the two disciplined uniformed forces that report to these ministries, and a common approach to staff training and general research could result in cost savings and other benefits.

The ministries of Government Services and Revenue also might be combined. Both are operational rather than policy oriented. We note that the Committee on Government Productivity suggested the merging of these two ministries into a single unit, and we propose that this idea be reconsidered.

Clearly, the pros and cons of proposed mergers would have to be carefully analyzed before any conclusions could be reached. Such analysis would also have to include an appreciation of political necessities, which we have not considered in our brief review.

Consolidation of Support Functions and/or Central Agencies. This is the second area we have identified for potential reductions in administrative overhead costs.

Ontario Government ministries can be divided into two groups: those whose programs are permanently important to the community, such as Health; and policy-oriented ministries, such as Housing and Energy, whose relevance may apply only to the short or medium term according to current socio-economic and political sensitivities.

The first group includes ministries with large, complex administrative systems for grant and funding purposes. There may be potential for reductions in overhead through the consolidation of such systems - for example, in the ministries of Colleges and Universities, Community and Social Services, Education, Health, Revenue, Transportation and Communications, and Treasury, Economics and Intergovernmental Affairs. Such consolidation could be achieved by the creation of one central transfer payment office to serve common needs.

The consolidation of transfer payments systems rather than the merging of complete ministries would have the advantage of retaining ministerial visibility while achieving reductions in overhead costs. Against this advantage would have to be set the problems of managing semi-consolidated structures and allocating administrative priorities.

Consolidated or centralized support and administrative structures might be considered for the second group of ministries also. It should be possible to create a short-term ministry without necessarily developing an expensive financial and administrative structure to support its operations. Thus, financial and administrative support services might be provided either from the appropriate divisions

in the permanent ministries or from service bureaus operating, for example, from the Ministry of Government Services.

With respect to central agencies, the potential for reductions in overhead is not great, but some savings might be realized through consolidation. Management Board, for example, has two distinct departments reporting to it: the Management Board Secretariat and the Civil Service Commission. It is possible that the integration of these departments could effect some savings without reducing levels of performance.

It might also be appropriate to analyze the policy field concept introduced by the Committee on Government Productivity, in order to ensure that priorities can be set effectively despite present constraints. With this in mind, the role and operations of the policy field committees and their secretariats might be examined. Such a review might be extended to encompass the functions of each secretariat and its relationship to the Cabinet Office and the Office of the Premier, to make the operations of these central policy and priority bodies as unfragmented as possible.

Conclusion

The purpose of this section has been to highlight the need and opportunities for overhead savings through reorganization of the government structure. Rather than provide specific recommendations we have suggested, through our discussion, guidelines for a Cabinet review of ministry

organizations. In general, then, the Committee recommends that:

- 4.9 CABINET GIVE PRIORITY TO AN IMMEDIATE IN-DEPTH REVIEW OF GOVERNMENT AND SPECIFICALLY MINISTRY STRUCTURE, WITH A VIEW TO REDUCING THE SIZE AND COST OF ADMINISTRATIVE SUPPORT SERVICES AND OVERHEADS.

CHAPTER 5

DUPLICATION OF GOVERNMENT PROGRAMS

The citizens of Canada and Ontario suffer from too much government. Three and sometimes four levels of government compete for the taxpayer's allegiance, control and regulate his life, and tax his personal wealth. Government in 1974 made a claim on the Ontario economy amounting to some 33.1 per cent; of this 13.9 per cent was spent by the federal government, 10.7 per cent by the Province, and 8.5 per cent by local government.

Both the federal and the Ontario governments have ministries involved in labour, natural resources, health, social security, the environment, industry, consumer protection, and business regulation. Municipalities also are active in the fields of health, social security, environmental protection, transportation, and education. A striking example of the potential for entanglement of government initiatives in specific program areas is described in Chapter 9 on social security.

This sharing of jurisdiction places an immediate burden on the taxpayer in terms of the duplicated expertise, staff, and support services required to maintain separate and distinct bureaucracies. Even when the shared responsibilities are reasonably well defined, such extra costs occur. If, however, governments are not extremely careful in the sharing of their duties, this burden is greatly increased by actual duplication in the programs offered. For the Ontario Government alone, the price of duplication could be as high as \$10 million per year.

The taxpayer should be required to pay only once for the services rendered to him. Under current arrangements, however, he often must support two or

three bureaucracies to obtain a single service. Governments at all levels must work to correct this situation, so that the individual taxpayer is assured of paying the minimum required to receive a given service.

The Committee recommends that:

- 5.1 THE PROVINCE UNDERTAKE
A THOROUGH EXAMINATION
OF PROGRAM AREAS WITH
A VIEW TO RATIONALIZING
THE PROVISION OF SERVICES
SO AS TO REDUCE OVERALL
COSTS TO THE TAXPAYER AND
TO CLARIFY FOR THE INDIVIDUAL
CITIZEN THE ROLES AND
RESPONSIBILITIES OF THE
THREE LEVELS OF GOVERNMENT.

The proposed review might be undertaken jointly by the Ministry of Treasury, Economics and Intergovernmental Affairs, the Management Board Secretariat, and concerned ministries. Its primary objective should be to identify actual overlap and potential cost savings, leading to provincial action or discussions with other governments.

- 5.2 WHERE POSSIBLE, THE PROVINCE
TAKE DIRECT AND UNILATERAL
ACTION TO WITHDRAW FROM DUPLICATED
PROGRAMS.
- 5.3 WHERE WITHDRAWAL FROM DUPLICATED
PROGRAMS IS NOT FEASIBLE, THE
PROVINCE INITIATE NEGOTIATIONS
WITH THE GOVERNMENT OF CANADA,

OTHER PROVINCIAL GOVERNMENTS,
AND LOCAL GOVERNMENTS TO ACHIEVE
A RATIONALIZATION OF SERVICES.

Cost savings are achievable in two ways:

- over the long term, by basic changes in the way responsibilities are shared among governments; and
- in the shorter term, by elimination of duplication from programs, either through negotiated adjustments or through direct provincial withdrawal from the provision of service.

These possibilities will be elaborated on in the following sections.

THE COST OF SHARED JURISDICTIONS

Over the long term, overall costs can be reduced by fundamental changes in the way our three levels of government share jurisdiction and responsibility. Indeed, amendment of existing arrangements is crucial to ensuring that the taxpayer is served most efficiently by his governments.

In a number of areas, there currently are reasonably clear definitions of responsibility. There are, however, extra costs inherent in maintaining parallel bureaucracies in different governments to execute these responsibilities. Significant costs also are incurred through the involvement of staff in meetings required to coordinate related policies and programs between the levels of government.

The following are examples of such areas. They illustrate that the problem goes deeper than simple

duplications in program delivery and rests on the very basic question of the division of responsibilities in a federal system of government.

Agriculture is a constitutionally shared jurisdiction. Agricultural marketing and inspection functions are divided between the provincial and federal governments on the basis of the distribution of agricultural products within and outside the Province. In the labour area, employment standards and labour relations are divided along clearly established lines, based mainly on constitutional responsibilities for various economic matters. The Ontario Ministry of the Environment and the federal Department of the Environment have formal agreements that set out the duties and responsibilities of each government for most shared activities. These activities tend to be complementary, with federal involvement mainly in matters that cross into other jurisdictions. The Ontario Provincial Police and the Royal Canadian Mounted Police (RCMP) cooperate on certain matters of shared concern, such as narcotics investigations, where an informal working agreement exists.

In addition to the extra costs arising where responsibility is divided on a reasonably clear basis, there are other areas where the sharing is less clearly defined and where the various levels of government become involved in programs of a complementary nature. There is an increasing tendency at all levels to fill what each perceives to be gaps in the service provided by other levels. Actual program duplications may not occur, and yet there are extra costs and further blurring of the lines between governments.

Good examples are the areas of farm income stabilization and farm credit. Here, the federal government has programs that are deemed inadequate by Ontario and which the Province, in turn, has supplemented,

in the former case with the cow/calf program and in the latter with young farmer credit.

The solution to the whole problem of shared jurisdiction lies, in part, in government's undertaking to inform the public about the rationale for sharing and dividing responsibilities and about the cost of government programs. Such information should be presented in a coordinated fashion and should be unambiguous and easily understood. If the public is made aware of these matters, individuals, organizations, and interest groups will be able to make responsible and informed judgements about the correspondence between social priorities and government programs and objectives.

Ultimately, however, the solution lies in a fundamental restructuring of the sharing of government in this country. This must of necessity be a long-term process involving basic questions of which government is best equipped to execute which responsibilities.

PROGRAM DUPLICATION

To the shorter term, there are possibilities for achieving cost savings by eliminating actual duplications in program delivery. The section which follows contains several examples of programs which seem to be duplicated and thus have potential for providing savings. Selection of the programs described in this section is based on the following considerations:

- There appears to be duplication with federal programs.
- The possibility of immediate cost savings is emphasized over the broader and more complex questions of jurisdiction.

- Duplication is viewed in its most literal sense: that is, the taxpayer is seen supporting identical or similar services at more than one level of government.
- Duplication may involve the provision of identical services or similar activities in which there is no clear-cut definition of responsibility.

For the most part, the program areas cited here have been identified by the provincial ministries as being significantly related to existing federal programs, if not directly overlapping with or duplicating such programs.

In some of these examples, the Province may be able to withdraw from programs. For the majority, however, because of formal agreements or complex working relationships between federal and provincial governments, straightforward, unilateral action is not feasible. Rationalization will have to result from a process of negotiation between the governments.

Rationalized programs will produce overall cost savings to the public. Some of the savings will be achieved by the Province; others, by the federal government. At the same time, it can be expected that provincial costs may increase in some special areas as a result of the Province's assuming some program responsibilities currently undertaken at the federal level.

In the pages that follow, each program area is described in turn and some indication given of the nature of the overlaps that are suspected.

Business Practices and Financial Institutions

Program duplication exists in a number of areas. Regulation of insurance, loan and trust companies, and corporations takes place at both levels of government, depending on whether or not the corporations involved are federally incorporated. In addition, both governments currently operate consumer complaint services.

There is a relatively clear definition of responsibility for insurance regulation at the two levels, and cooperation prevents duplication of effort. An insurance company based in Ontario and doing business across the country must, however, relate with and subject itself to examination by both levels of government. This complicates private sector activity, and rationalization would undoubtedly result in private and public cost savings.

Securities regulation also appears to be a worthwhile area of investigation. Overlaps arise for those corporations whose shares are traded on the exchanges in more than one province. In the future, however, marketing of securities will probably be handled by a centralized automated stock exchange. Under these circumstances, regulation of the industry would appear to be facilitated by federal action alone. The private sector also has hidden costs in these matters. Prospectuses advising the public of new issues, for example, are required to be filed with all securities exchanges across the country; and because of the variety of responses, and some differences in regulations, entrepreneurs find this a time-consuming and troublesome procedure.

Federal control of such matters would remove from the Province some control over one of its economic policy tools and some leverage to pursue its own

economic goals. Retention of such economic control should be evaluated against the possibility of facilitating a more comprehensive control of the economy at the national level and securing a unified securities regulation program.

Legislative overlap exists in a number of areas in both regulation of business and consumer affairs under several different Acts. The Ontario legislation is essentially administrative, with the cease and desist order providing a speedy and relatively inexpensive working tool. In contrast, the federal legislation is based on the Criminal Code, and enforcement has therefore required prosecuting action through the courts.

Corrections

Corrections constitute a major area of shared responsibility between the federal and provincial governments. With the exception of some parole cases, there is no duplication in the sense that the two distinct and separate client groups are served. Both levels do, however, perform a similar function.

The Ontario Parole Board and Ontario probation and parole officers are responsible for persons sentenced to provincial institutions for indefinite periods. The Federal Parole Board, on the other hand, is responsible for the approximately 80 per cent of the population of provincial institutions sentenced to definite terms and for the entire population of the federal system. The federal Parole Act may be amended in the near future to provide for the transfer to the Province of all parole responsibility for persons in provincial institutions. If this is done, it will

clarify the situation with regard to parole, the only area where the two jurisdictions are sometimes involved in the supervision of the same offenders.

Both the Government of Canada and the Government of Ontario maintain institutions for adult offenders.¹ The distinction between the federal and provincial responsibility for incarceration is the length of sentence: persons sentenced to less than two years imprisonment are considered a provincial responsibility and those sentenced to two years or longer are a federal responsibility.

The objective of negotiations for program rationalization might be to have one level of government assume responsibility for all services. Negotiations are continuing with the Government of Canada in this regard.

Culture, Heritage, and Sports

Capital grants may be provided from federal, provincial, and municipal governments for facilities for the arts, including theatres, auditoria, concert halls, art galleries, and museums. In Ontario, the Ontario Arts Council (a provincial agency under the Ministry of Culture and Recreation) provides operating grants to many organizations and projects that are also supported by the Canada Council, the Secretary of State (for example, for Franco-Ontarian activities), the National Museum Policy, the Department of External Affairs (for certain official tours), and the Canadian Film Development Corporation.

The National Museum Policy, under the Secretary of State, provides funds for the construction of new museums and galleries, the upgrading of facilities,

¹Correctional institutions are discussed further in Chapter 12.

cataloguing, and touring exhibitions. The Art Gallery of Ontario is an associate museum under the National Museum Policy and receives some federal government grants; to date, the Royal Ontario Museum has declined associate museum status and hence receives no federal funding. The Province also provides support in this area through the Outreach Ontario program of the Ministry of Culture and Recreation and through the Ontario Arts Council.

In the area of heritage conservation, the provincial Historical Planning and Research Branch and the federal Historic Sites and Parks Branch have similar objectives and reflect overlapping responsibilities and jurisdictions. There is a need to develop, in cooperation with the federal government, clear criteria to distinguish national from provincial heritage projects and to provide a basis for determining funding and other responsibilities.

There are also parallel activities in the federal and provincial governments in the areas of recreation, informal learning, sports, and leisure services. In some cases, programs and groups are funded by both levels of government. In addition, some federal programs affect areas with provincial jurisdiction, thus raising expectations of client groups in Ontario (this occurs with the LIP, LEAP, OFY, and New Horizons programs). Pressure is then put on the Province and the municipalities to step in when federal funding is unilaterally withdrawn. Some of these programs initiate activities in the areas of sports, fitness, and recreation.

The Province is expanding its program of capital and operating grants for theatres, auditoria, galleries, museums, and exhibitions. We must question the wide range of activities and institutions that must receive common funding from both levels of government, as well as the relationship of expenditures in this area

to constraints on other programs. Similarly, in sports and fitness, the Government has made certain commitments and built up certain expectations, but we question the benefit to the taxpayer of the Province's seeking to play an even greater role in funding these activities.² The prime consideration now must be whether or not to hold the line on increases and/or curtail expenditures on some programs. The two governments should also negotiate a better alignment of their respective programs to avoid duplications.

Housing

Considerable overlap in federal-provincial housing programs exists in the areas of funding, program delivery, and program and policy development. The federal government has shifted its emphasis from playing a financing role to more direct involvement in all phases of housing production, traditionally an area of provincial responsibility. For example, the budgets for the federal Assisted Home Ownership Program (AHOP) and its Limited Dividend Program have been substantially increased in the past year, while there has been virtually no increase in federal funds for provincially controlled programs such as public housing under sections 40 and 43 of the National Housing Act.

At the same time, the Province has found it necessary to become increasingly involved in direct mortgage financing, traditionally a federal responsibility. For example, the Ontario Housing Action Program, the Accelerated Family Rental Program, and the expanded Home Ownership Made Easy Program have resulted in major mortgage financing commitments on the part of the Province.

Specific examples of likely program duplication may be cited:

²This view is discussed further in Chapter 14.

- The federal Assisted Home Ownership Program and the Province's Home Ownership Made Easy Program overlap considerably in terms of clientele and the assistance provided. Attempts to integrate them have met with little success to date.
- Both governments are involved in developing new communities.
- Both governments offer home-buyer grants.
- Federal funds for neighbourhood improvement and for residential rehabilitation have been made dependent on a complicated set of approvals by three levels of government, each of which must retain expert staff to review the projects.
- Both governments offer programs for rural, northern, and native housing.
- In the area of assistance for the construction of low rental accommodation, there are a number of complementary programs that may lead to overlaps.

While there are some programs from which the Province could unilaterally withdraw, the greatest savings can be realized by sorting out the whole complex of programs offered and rationalizing their scope and application.³

Income Maintenance

Both federal and provincial governments have income

³Housing programs are discussed in more detail in Chapter 11.

maintenance programs that provide a patchwork of funding for client groups; programs are provided at the municipal level also. The federal government operates Old Age Security, Guaranteed Income Supplement, Family Allowance, Unemployment Insurance, and the Canada Pension Plan, while Ontario runs Family Benefits, the Guaranteed Annual Income System, General Welfare Assistance (through municipalities), and Workmen's Compensation (via employer contributions). In addition, the Province offers housing assistance, a drug plan, and a tax credit system. The provincial programs generally operate within the definitions and constraints created by the federal programs and are influenced by actions in other jurisdictions.

A Federal-Provincial Review of the Social Security System is currently under way to rationalize federal and provincial programs. Ontario's participation is being coordinated by the Income Security Secretariat in the Ministry of Community and Social Services. Despite intensive efforts to date, little headway has been made towards actual improvement of existing arrangements.

The greatest cost savings can be achieved in this area through a rationalizing of the system at all levels of government, while maintaining the existing expenditure levels. Efforts should continue to achieve more efficient and effective use of the resources now devoted to income maintenance.⁴

Industrial Development and Trade Promotion

Both levels of government maintain ministries to promote industrial development and trade. The federal counterpart of the Ministry of Industry and Tourism is the Department of Industry, Trade and Commerce. The program structure of the Ministry of

⁴Income maintenance is discussed further in Chapter 9.

Industry and Tourism is similar to, and is intended to be closely coordinated with, that of Industry, Trade and Commerce. Many programs are similar, though the emphasis in Ontario is on supplementing federal programs and serving the Province's specific clientele.

Three major areas can be cited where there may be duplication and where direct provincial action may be possible: international activities, consulting and information, and direct loans.

Both governments conduct trade missions, and both maintain offices abroad; both organize for international exhibitions; both bring buyers and agents into the country. With regard to the offices abroad, federal emphasis is on trade promotion, while provincial emphasis is on industrial development.

Ontario and the federal government both provide business advisory and consulting services and have information programs directed at the business community. There are similar programs of consulting on technology, general business practices, and finance. Many publications of the two governments contain similar information. The Province's involvement is, however, generally more detailed and specific to Ontario, and the Province through its regional offices provides greater geographical coverage than does the federal government.

Several loan programs are operated through the Ontario Development Corporation, with similar counterparts provided through the Federal Business Development Bank and the General Adjustment Assistance Board and under the Regional Development Incentives Act. Specific examples are industrial mortgage loans, small business loans, and export support loans.

It may be possible for Ontario to withdraw from some of these areas, leaving the total responsibility

to the federal government. Alternatively, the Province may find it advisable to be more selective than it has been in the past in undertaking some of these activities, and it may wish to negotiate with the federal government for a clearer definition of responsibilities.

Status Indians

Ontario has an agreement with the federal government relating to child welfare services, general welfare maintenance, and day nurseries for Indians on reservations, Crown land, or unorganized territory. Under this agreement, the federal government reimburses the Province for approximately 95 per cent of the cost.

Ontario has another agreement with the federal government relating to the provision of community development services to Indian communities. Because of disagreements over interpretation of cost calculations, however, the Province may be funding activities that are properly federal responsibilities.

The Ministry of Health is negotiating with the federal government about the duplication of federal zone hospitals and public general hospitals, and it is probable that the two zone hospitals will eventually be transferred to Ontario's jurisdiction.

Since most Indians are eligible for subsidized OHIP premiums, the Province pays for hospital and medical care received by Indians in the zone hospitals and Indian health units. These payments are, in turn, partially covered through cost sharing with the federal government. The federal government has indicated its willingness to withdraw from health services for Indians, but at present the Indians oppose this action.

The education of status Indians is the responsibility of the federal Department of Indian Affairs and Northern

Development (DIAND), and the Department may purchase education services from the Province. The Indians have some concerns about the possibility of DIAND withdrawing its services and the Province filling the void. At the post-secondary education level, the question of responsibility becomes blurred, especially with respect to funding.

The Province and Bell Canada are undertaking a joint project to provide telecommunications in remote areas of Northern Ontario. To date, no federal funding has been committed to this project. Provincial involvement without federal financial participation can be questioned in light of federal responsibility for status Indians, the system's primary clientele.

The administration of justice for the Indian community is the subject of continuing discussion. Administration of justice is clearly a provincial matter, except that there is some implied federal responsibility on reserves. Indications are that the RCMP are not anxious to expand or even maintain their present level of policing on reserves. Cost-sharing programs have been worked out for improvements in the level of service of Indian policing, with the result that the Ontario Provincial Police are clearly moving into a position of responsibility. Another cost-sharing program is the provision of courtworkers - native people who are available for counselling before and during proceedings of the courts.

While Ontario could consider withdrawing from the delivery of services to status Indians where there is no federal-provincial agreement, such a move would appear unacceptable because it would leave a vacuum that would not necessarily be filled by the federal government. Recent actions and proposals suggest that the federal government is attempting to disengage from delivering essential services to status Indians and to shift its responsibilities to the

Province without compensation and without the agreement of the Indian population.

Urban and Regional Affairs

In the area of urban and regional affairs - a clear provincial responsibility - new federal programs have duplicated some provincial activities or have served to cloud accountability. With respect to regional development, the Province has signed a General Development Agreement with the federal government to apply to most of the activities of the Department of Regional Economic Expansion (DREE) in Ontario. Under this agreement, subsidiary agreements now cover four joint programs and others are under negotiation. According to the original concept of these agreements, the Province primarily puts forward proposals in the context of its priorities for regional development, and the federal government decides on the extent of its financial commitment. This intent does not seem to be carried out in practice. DREE offices in Ontario now have a complement of about 75 people. The number of staff has meant that proposals are not generally presented in relation to provincial initiatives, but rather are made directly to the federal government or are initiated by federal staff. Moreover, federal willingness to contribute to particular developments seems to depend more on specific federal interest and priorities than on a provincial planning strategy. In addition, the negotiation process has become time consuming and frustrating.

The net result of these difficulties has been duplication of staff time and effort and considerable confusion on the part of municipalities, industries, and the general public as to government roles and responsibilities. The Province should negotiate with the federal government to

establish clearly the responsibilities for the administration of programs under the General Development Agreement, emphasizing the provincial responsibility for establishing regional planning priorities.

With regard to urban affairs, the federal government has moved to establish an increasingly strong presence on the urban scene in Canada. The Ministry of State for Urban Affairs is committed to trying to develop a national urban strategy, improving the quality of urban life, and improving the management of urban problems. These objectives have been supported by a number of program initiatives and proposals for joint planning and for tri-partite meetings, and they are supported by a growing staff and heavy research expenditures.

Specific program areas may be cited where there is apparent overlap. Federal assistance for railway relocation has been made dependent on joint development and approval of local urban plans. The same is true of federal assistance for urban transit. The Ministry of State for Urban Affairs has funded an urban planning study in Mississauga, and it has funded and is controlling the planning of the Harbourfront Park in Toronto, which must be viewed as a part of the area's parks system. The National Capital Commission has recently unveiled a conceptual plan for the National Capital Region which has a number of sharp conflicts with the draft official plan of the Regional Municipality of Ottawa-Carleton.

The Ministry of State funds the activities of a large number of consultants and university staff on urban problems. Topics include municipal management training, a series of publications on the structure of municipal government in major Canadian centres, downtown planning, regional planning, citizenship participation at the local level, and other areas that have traditionally been part of the responsibilities of the Province and are the subject

of provincial advisory programs to municipalities.

Negotiations with the federal government in urban affairs should emphasize the careful definition of responsibilities. This might well be done on a hierarchical basis, so that the federal government would be responsible for policy that is national in scope, such as population targets for major centres and major interprovincial transportation links.

Other Areas

The following are additional program areas identified in our analysis where negotiated action may yield some benefits:

- tax collection;
- book publishing;
- energy conservation; and
- manpower
 - training
 - consultative services
 - management development programs
 - selective placement services
 - work activity projects
 - employment of youth.

In addition, direct provincial action may produce benefits in:

- services to immigrants;
- multiculturalism;
- communications;
- heritage conservation funding; and
- research and statistics.

We note that these are not comprehensive lists. There may be other areas that also need further examination.

CHAPTER 6

PUBLIC SECTOR MANPOWER

MAJOR FACTORS IN PUBLIC SECTOR EMPLOYMENT

The largest single element of Ontario Government spending is the cost of labour: in 1975 - 76, wage and fringe benefit payments will amount to \$6 billion, representing over 60 per cent of total provincial expenditures, excluding interest on the public debt. Included in this amount is \$1.3 billion for provincial programs, \$1.8 billion for school boards and post-secondary education, and \$2.3 billion for health and social services. In 1974, one out of every six persons working in Ontario received all or part of his or her income from the provincial Consolidated Revenue Fund. The magnitude of these costs and the numbers of people involved indicate the prime importance of public sector employment to a review of government spending.

Trends in employment for the three levels of government over the period 1966-1974 are shown in Table 6-1 (a more detailed breakdown is given in Appendix I). Public sector employment supported by the Consolidated Revenue Fund of Ontario increased by 33 per cent over the period 1966-1970 and by 15 per cent over the years 1970-1974, compared with a growth rate in Ontario's total labour force of 13 per cent and 17 per cent respectively for the same two periods.

Further growth in public sector employment would have a substantial impact on the provincial economy. For example, a 4 per cent increase over

EMPLOYMENT IN ONTARIO, BY SECTOR,
1966, 1970, AND 1974

Table 6 - 1

	1966 (000's)	1970 (000's)	1974 (000's)	Percentage Change 1966-1970 1970-1974	
Total Employed in Ontario	2,651	2,996	3,519	13%	17%
Public Sector Employment					
Federal Public Service	180	190	243	6	28
Self-Supporting Provincial Agencies	22	30	34	36	13
Employees Supported Partially or Fully by Consolidated Revenue Fund:					
Province	60	76	84	27	11
CAATs and Universities	14	33	44	136	33
Health and Welfare	101	132	174	31	32
Municipal Sector	90	112	128	24	14
School Boards	105	139	136	32	-2
Total Supported by Consolidated Revenue Fund (CRF)	370	492	566	33	15
Total Public Sector	572	712	843	25	18
Percentage of Employees Supported by CRF to Total Employed in Ontario	14	16	16		

Sources: Statistics Canada, Civil Service Commission, Ministry of Treasury, Economics and Intergovernmental Affairs, and other ministry records.

the current level would amount to 23,000 jobs and would add to the public sector about \$250 million a year, given present wage levels. This amount is equivalent to one point of retail sales tax revenue. These estimates are important because there is continuing pressure for the improvement of public services, though this is seldom accompanied by recognition or understanding of the cost implications of such growth. Quite simply, improvement of services almost always requires the addition of human resources to operate facilities and programs.

Various sectors of society - local governments, provincial agencies, private interest groups - are constantly asking the Province to provide new or expanded services in many areas of social concern. There are demands for reductions in class size in Ontario's public schools, the provision of special education programs, the expansion of public hospital facilities and improvement of their technical services, and the extension of court facilities and institutional care. These demands are often more intense than they would be in a private sector environment because people tend to think that the provision of public services is and should be free.

It should be noted that the agencies providing public services often contribute to pressures for growth by setting standards of service that are unreasonably high. There is an increasing emphasis on raising the quality of service provided; but again, the cost of achieving higher standards seldom involves a full assessment of consequent benefits. In some cases - such as expansion of administrative staff - actual gains to the public in terms of service appear to be very small indeed.

In the face of such pressures, there is a need for firm mechanisms to control provincial spending. Demands for improvement usually take the form of requests for additional funding from various agencies. These requests are reviewed in the light of government priorities and appropriate budgetary allocations made from the total resources available. Inevitably, the decision-making process is difficult, and choices often depend on political judgement.

The Province has been reasonably successful in controlling manpower growth in the programs it operates. From 1970 to 1974, the provincial public service increased by 11 per cent. Consistent with recent constraints on government spending, cutbacks in employment will occur during 1975 and 1976, so that the growth rate from 1970 to 1976 will be less than 7 per cent, or 1.2 per cent per year. To meet emerging new needs without significantly increasing manpower levels, it has been necessary to introduce across-the-board reductions in staff to improve efficiency. This move has resulted in complaints from various ministries; to date, however, recipients of provincial services have not appeared dissatisfied with the quality of the service they are receiving.

A variety of approaches has been developed for reviewing funding and manpower requests from municipal governments, school boards, and other agencies. The Ministry of Education sets per-pupil ceilings for school boards. The Ministry of Colleges and Universities sets funding support levels for universities and community colleges, in consultation with the two advisory councils established for this purpose. In the area of transfer payments, mechanisms

for review by the Province are based on financial control, but there is no direct regulation of manpower requirements. Some of these mechanisms will be discussed in later chapters of this report.

Here, we will discuss the opportunities that exist for controlling expenditures on manpower in the public service. These fall into two broad areas : potential improvements in productivity, and possible adjustments to the collective bargaining process.

IMPROVING PRODUCTIVITY

The 1975 Ontario budget was designed to restrain growth in the public sector, reduce taxes, and stimulate the economy. In order to maintain existing service levels and meet new demands during the critical recovery period over the next 12 to 18 months, the strategy must be to increase the productivity of the existing manpower base.

Responsibility of Management

Productivity and efficiency can be improved to accommodate limitations in staff without diminishing the quality of services delivered. Gains in productivity depend, not necessarily on persuading individuals to work harder, but rather on the improvement of work procedures so that the low-priority tasks are de-emphasized or eliminated. The onus for effecting such improvements lies with management. Moreover, the process by which productivity is increased must reflect a spirit of co-operation between management and subordinate staff.

There are many instances in the public service of internal organizational procedures that consume an inordinate amount of employees' time. For example, studies of Ontario hospitals have indicated that because of clerical and other duties, less than 50 per cent of a nurse's time is spent in providing patient care. With a review of internal procedures, this situation can be improved.

Unfortunately, considerable external pressure may be necessary before an organization undertakes a serious review of existing procedures. A critical re-examination can, however, result in a more efficient approach to the delivery of services.

It should be noted that public employees have voiced their expectation that their pay levels be competitive with those for comparable jobs in the private sector. Indeed, parity is necessary if the public service is to attract staff of a high calibre. To justify meeting this standard, public servants must satisfy similar productivity requirements to those recognized in the private sector. Moreover, efforts to improve productivity must be sustained on a continuing basis to ensure that maximum gains are achieved with minimum disruption to existing organizations. Such improvements in productivity should be reinforced by and reflected in the merit pay system, with salary increases clearly related to employee performance.

The Committee recommends that :

6.1 THE GOVERNMENT PLACE INCREASED
EMPHASIS ON THE NEED FOR
MANAGEMENT TO IMPROVE
PRODUCTIVITY IN DELIVERING
PUBLIC SERVICES.

6.2 MERIT INCREASES NOT BE AUTOMATIC
BUT BE CLEARLY RELATED TO
PERFORMANCE.

Quality of Public Services

When proposals are put forward to introduce efficiency measures, the organizations concerned sometimes protest that such measures will diminish the quality of service that is provided. It is, however, the user rather than those providing the service who must ultimately judge whether or not the quality of service is adequate. The concern expressed by organizations reflects a trend that has emerged in recent years towards the lowering of productivity ostensibly for the sake of improvements in quality. The field of education provides an apt example. Between 1953 and 1963, when enrolment in Ontario's public and secondary schools increased by 74 per cent, the number of full-time teachers increased by 93 per cent. From 1963 to 1973, enrolment grew by only 26 per cent, but the number of teachers rose by 56 per cent.

The Committee recommends that :

6.3 FURTHER EXPANSIONS IN STAFF
LEVELS NOT BE PERMITTED UNLESS
IMPROVEMENT IN THE QUALITY
OF PUBLIC SERVICES IS
CLEARLY DEMONSTRABLE.

Job Qualifications

In the post-war years, all sectors of the Canadian economy have placed an undue emphasis on

academic requirements in setting standards for particular jobs and in screening applicants for vacant positions. This tendency seems particularly marked in the public sector. It results in the hiring of over-qualified persons for specific positions, and this leads in turn to unnecessarily high payroll costs and frequently to job dissatisfaction.

The Committee recommends that :

6.4 THE CIVIL SERVICE COMMISSION
AND OTHER AGENCIES WITH
RESPONSIBILITY FOR EMPLOYMENT
IN THE PUBLIC SERVICE REVIEW
JOB SPECIFICATIONS TO ALLEVIATE
UNNECESSARY OR INAPPROPRIATE
EMPHASIS ON THE ACADEMIC
QUALIFICATIONS OF APPLICANTS
FOR VACANT POSITIONS.

The Government may wish to consider establishing a special task force to examine this matter further. Additional suggestions for change in this area are put forward in Chapter 7, which deals with post-secondary education.

Use of Part-time Staff

Public demands for services, whether in the private or the public sector, often fluctuate over time. At the same time, by choice or for social and economic reasons, a growing number of persons in our society seek seasonal or daily part-time work. Some organizations, such as public hospitals, already make extensive use of part-time employees, and there are other sectors in the public service where this practice could be usefully adopted.

There has been some reluctance to pursue this approach because management often finds it more convenient to build a complement of trained full-time staff. Certainly, supervisory responsibilities are more easily carried out in units where the majority of staff are full-time employees. But in areas where the need for service is not constant, in the long run this type of organizational arrangement can result in under-employment and higher payroll costs than would be incurred with more dependence on the use of part-time staff. In view of the potential savings that could result, the Committee recommends that :

- 6.5 THE GOVERNMENT ENCOURAGE THE EMPLOYMENT OF PART-TIME STAFF, WHERE APPROPRIATE, TO PERMIT A FLEXIBLE RESPONSE TO FLUCTUATIONS IN THE DEMAND FOR SERVICES, TO MAKE USE OF ALTERNATIVE SOURCES OF MANPOWER, AND TO CONTROL COSTS.

Capital Investment

In the long term, if not the immediate future, new technological developments can be expected to lead to reductions in the manpower required to perform some jobs. Already this has occurred in many industries and services in the private and public sectors. We have identified at least two areas where such change is likely to take place: in education, the use of television programs to instruct pre-school children will undoubtedly have a long-range impact on teaching methods throughout the school system; and in the health care system, the use by doctors of automated laboratory facilities is serving to

provide more diagnostic information in far less time than was possible with manual testing methods. In the latter case, it should be noted that the cost savings in terms of reductions in laboratory staff have not yet been fully realized for the public.

The Committee recommends that :

- 6.6 THE GOVERNMENT ENCOURAGE THE DEVELOPMENT OF LABOUR-SAVING TECHNOLOGY IN APPROPRIATE AREAS TO REDUCE PAYROLL COSTS AND ENSURE THAT THE BENEFITS OF SUCH DEVELOPMENTS ARE APPLIED IN THE PUBLIC INTEREST.

Retirement and Severance Policy

The Committee is concerned to ensure that there are workable procedures for removing from the public service those who are no longer productive or for whom there is no longer any suitable job. The procedures for dismissal for cause in The Public Service Act are more often used to deal with misconduct than to deal with lack of productivity (294 were dismissed in 1974-75). The Committee considers that there is no justification for retaining in the public service those who are no longer productive.

The Public Service Act also provides for the release of those whose jobs have been eliminated. This involves a process of "lay-off and recall" but does not provide to the employer any means to retire before age 65 those for whom there is no suitable employment.

The Committee therefore recommends that :

- 6.7 AN EQUITABLE SEVERANCE POLICY
BE DEVELOPED FOR THOSE IN
THE PUBLIC SERVICE WHO ARE
NO LONGER PRODUCTIVE OR FOR
WHOM THERE IS NO LONGER ANY
SUITABLE JOB.

A Provincial Public Sector Manpower Strategy

Since labour is the largest single cost of government, in order to achieve economies, the Province must concern itself directly with growth in public sector manpower. The budgetary review process is the critically important mechanism by which to examine the growth and deployment of human resources to meet public needs. As the budgetary system applies to independent public sector bodies, it is at present reactive and must accommodate wage settlements achieved in the collective bargaining process. This system needs to be redirected to permit adequate control of unit costs.

The Committee recommends that :

- 6.8 THE GOVERNMENT DEVELOP PROCEDURES TO EXAMINE CRITICALLY THE
USE OF HUMAN RESOURCES WITH A
VIEW TO DEVELOPING A MANPOWER
STRATEGY TO CONTROL THE GROWTH
IN PUBLIC SECTOR EMPLOYMENT.

Primary sector employment has been declining steadily for several decades, and secondary or manufacturing employment also has been declining in relative terms. But production and productivity in both sectors continue to increase.

Following the Great Depression and the Second World War, the major countries in the Western world have made commitments to achieve full employment. In recent years, employment in the private and public service industries has increased dramatically in Canada. The tertiary or service component of the economy now accounts for almost two-thirds of all jobs. The growth trend in services is expected to continue in line with growth in the economy as a whole. The trend is basically healthy, as long as public sector employment and wage settlements are kept in reasonable balance with those in the private sector, and as long as efforts to improve productivity in the public sector continue.

THE COLLECTIVE BARGAINING PROCESS

As indicated by Table 6-2, collective bargaining in the public sector is complex, involving various pieces of legislation, with many different voices representing management and employee interests. There are several methods for arriving at settlements. In municipalities and universities, labour disputes may result in legal strikes or lock-outs. For provincial public servants, hospitals, and police, unresolved issues proceed ultimately to compulsory arbitration. Under recent legislation, school boards and community colleges have access to voluntary

GROUP	LEGISLATION	DISPUTE RESOLUTION	EMPLOYER REPRESENTATIVE	BARGAINING AGENT
<u>Crown Employees</u>				
Public Service	(Crown Employees	(Compulsory	Management Board	CSAO ¹
LCBO/LLBO	(Collective	(Arbitration	Employing Agency	LCBO ² /LLBO ³ Employees Assoc.
Niagara Parks Commission	(Bargaining	(Employing Agency	CSAO
Ontario Housing Corporation	(Act	(Employing Agency	CUPE ⁴
Ontario Provincial Police	Public Service Act	Compulsory Arbitration	Management Board	Ontario Provincial Police Association
Colleges of Applied Arts and Technology (CAATs)	Colleges Collective Bargaining Act	Fact Finding Voluntary Arbitration Final Offer Selection Strike or Lock-Out	Council of Regents	CSAO
<u>Crown Agencies</u>				
Ontario Educational Communications Authority	Labour Relations Act	Strike or Lock-Out	Employing Agency	Various
Ontario Northland (ONTC)	Canada Labour Code	Strike or Lock-Out	Employing Agency	Various
Ontario Hydro	Labour Relations Act	Strike or Lock-Out	Employing Agency	Various
<u>Hospitals</u>	Hospital Disputes Arbitration Act	Compulsory Arbitration	Hospital Boards (Management Representatives)	Various
<u>School Boards</u>	School Boards and Teachers' Collective Negotiations Act	Same as CAATs	Local School Boards	Ontario Teachers' Federations
<u>Universities</u>	Labour Relations Act	Strike or Lock-Out	Boards of Governors	Various
<u>Municipalities</u>	Labour Relations Act	Strike or Lock-Out Compulsory Arbitration for Police and Firemen	Municipalities	Various

¹ Civil Service Association of Ontario
² Liquor Control Board of Ontario
³ Liquor Licensing Board of Ontario
⁴ Canadian Union of Public Employees

arbitration and final offer selection, with strike or lock-out as an alternative if other efforts fail.

The collective bargaining process is of central importance to the problem of cost control. We feel that the existing system is not functioning properly and that a number of changes are required to improve its operation.

The prosperity of a nation may be indicated by the wages paid to its workers, but it derives fundamentally from the collective productivity of its people and resources. For the decade 1963-1973, Ontario performed well in comparison with the major industrial nations. The real Gross Provincial Product increased by 5.7 per cent annually, while employment increased by 3.5 per cent. In the past year or so, however, partly as a result of difficulties in the oil and gas industry, production and employment have slowed. At the same time, increasing inflation has led to escalating employee demands and "catch-up" adjustments intended to increase real purchasing power and provide a hedge against further inflation.

The inflationary environment in Canada has changed the objective of collective bargaining from the sharing of gains in productivity to the achievement of settlements that are richer than prior labour contracts. Increasing labour costs lead to price increases and ultimately to decreased consumption and growth in the unemployment rate. The housing and automobile industries are suffering from this sequence of events at the present time. The solution, of course, lies in moderation, either voluntary or imposed. For this reason, the federal government has

deemed it necessary to establish wage and price guidelines to flatten current inflationary trends and ensure long-term economic growth.

In the past two years, there has been a major escalation in public sector wage settlements in Ontario (see Table 6-3). We are not concerned here with making judgements as to whether or not any particular increase is warranted. It is clear, however, that recent settlements exceed the increase in the cost of living and the growth in Gross Provincial Product. The problem is that excess labour costs have not been offset to any major extent by corresponding gains in productivity. To restrain the growth of provincial expenditures, it has now become as important to moderate the rate of increase in public sector wages as to control the growth in numbers of employees.

A New Mechanism for Collective Bargaining

As noted, the collective bargaining process in government and the provincial agencies is not working adequately, at least from the point of view of the public interest. One reason is that arbitration plays a much more significant role in collective bargaining in the public sector than in the private sector. In the public service and the public hospital system, for example, the final resolution of disputes is by compulsory arbitration.

At present, there are no established guidelines for arbitrators. Decisions are typically made on the basis of a personal assessment of the individual issues presented by the two parties to a dispute, along with an appraisal of relevant external

RECENT WAGE SETTLEMENTS IN
THE ONTARIO PUBLIC SECTOR,
1974 and 1975

Table 6 - 3

		<u>Percentage Increase</u>	<u>Contract Period</u>
<u>1974</u>			
Jan. - July	Health - Operational	50	24 months
	Health - Nurses	48	18 months
Aug. - Dec.	Metro Transit	29	19 months
	Province - Operational	21	12 months
<u>1975</u>			
Jan. - July	Ottawa - Carleton - Teachers	40 ¹	24 months
	Province - OPP	18	12 months
	Health - Nurses	18	15 months

¹
Includes an allowance for the impact of a cost-of-living adjustment clause.

Source: Documents prepared by various ministries of the Ontario Government.

factors. Moreover, arbitration awards often build upon the pattern of previous settlements. This leads to a ratcheting upwards of salaries and labour costs to government.

We feel strongly that the Government must preserve its ultimate fiscal responsibility. The provincial budget cannot be merely the end-product of a series of arbitration awards, and efforts to economize on and streamline government operations must not be negated by large wage settlements for some groups of public sector employees.

Some mechanism has to be devised to ensure that all interests are voiced in the collective bargaining process - the interests of the employee, the employer, and the taxpayer. Collective bargaining must continue to achieve equity in pay while preserving employee rights. At the same time, it must take into consideration the productivity of particular groups and all public employees. It must reflect the taxpayer's capacity to pay and respect the financial integrity of the Government.

There is one outstanding difficulty in relation to the present bargaining system. In individual negotiations, the Government performs a dual role as employer and guardian of the public interest. At present, the latter function is insufficiently emphasized in exchanges between employee and employer.

A new element should be added to the process of collective bargaining in the public sector to ensure that the public interest is adequately served. Specifically, the Committee recommends that:

- 6.9 GUIDELINES TO FORM A BASIS FOR DETERMINING PUBLIC SECTOR WAGES AND FRINGE BENEFITS BE ESTABLISHED EACH YEAR BY THE LEGISLATURE, AND THESE GUIDELINES PROVIDE A GENERAL FRAMEWORK FOR THE COLLECTIVE BARGAINING PROCESS.

Determination of Wages

The public sector has a responsibility to deliver public services at a reasonable cost. It also has a responsibility to provide wages and fringe benefits that are competitive with those in other sectors of the economy. In recognition of these objectives, the Committee recommends that:

- 6.10 PUBLIC SECTOR WAGES REMAIN COMPETITIVE WITH BUT NOT EXCEED WAGE LEVELS FOR COMPARABLE POSITIONS IN THE PRIVATE SECTOR.

Many of the services provided by the public sector, because of their importance to the populace, are of a continuing nature. This means that public sector employees often enjoy greater job security than employees in the private sector. The Committee recommends that:

- 6.11 THE JOB SECURITY THAT EXISTS
IN THE PUBLIC SECTOR BE
REFLECTED IN EXISTING SALARY
PATTERNS.

The Committee further recommends that:

- 6.12 ADJUSTMENTS IN REAL WAGE
LEVELS BE COMMENSURATE
WITH DEMONSTRATED GAINS
IN PRODUCTIVITY.
- 6.13 IN NEGOTIATING CONTRACTS,
MANAGEMENT EMPHASIZE
PRODUCTIVITY AND DISCOURAGE
THE INCLUSION OF CLAUSES THAT
WILL LEAD TO INCREASED MANPOWER
REQUIREMENTS.
- 6.14 A REVIEW BE UNDERTAKEN OF
PAY STANDARDS FOR POSITIONS
FOR WHICH THERE IS NO COUNTER-
PART IN THE PRIVATE SECTOR,
SUCH AS THOSE FILLED BY
SOCIAL WORKERS, NURSES, AND
TEACHERS, TO DETERMINE
APPROPRIATE LEVELS OF
REMUNERATION.
- 6.15 REGIONAL DIFFERENTIALS IN
PAY PATTERNS BE EXAMINED TO
DETERMINE THE IMPACT OF
UNDIFFERENTIATED PUBLIC
SECTOR WAGE LEVELS.

Currently, there are differences among salary levels in the various components of the public sector. For example, employees of Ontario Hydro and certain municipalities are paid salaries that are higher than those for comparable jobs in other public sector organizations.¹ To ensure equity and to control the tendency for other groups to escalate their demands according to existing settlements, the Committee recommends that:

6.16 THE PROVINCE MAKE IT CLEAR TO ALL AGENCIES RECEIVING TAXPAYER SUPPORT THAT THEY CANNOT EXPECT PROVINCIAL ASSISTANCE TO OFFSET INFLATIONARY WAGE SETTLEMENTS.

6.17 COSTS ASSOCIATED WITH EXISTING PRACTICES RELATING TO MERIT INCREASES, THE LENGTH OF SALARY RANGES, AND THE EASE IN MOVING TO A HIGHER CLASSIFICATION BE REVIEWED AND BROUGHT UNDER TIGHTER CONTROL.

6.18 THE PREPARATION AND DISSEMINATION TO THE PUBLIC OF INFORMATION ON COLLECTIVE BARGAINING NEGOTIATIONS AND THE COSTS OF SETTLEMENTS BE IMPROVED.

¹

Examples of such differences are documented in Table 6-4.

In this respect, the Education Relations Commission that was established under recent school board collective bargaining legislation is a mechanism that might well be useful in representing the public interest in other parts of the public sector.

Cost-of-living adjustment (COLA) clauses are another matter of concern. By their very nature, they tend to encourage inflation. In view of the basic responsibility of government to lead the country in the fight against inflation, the Province should resist the introduction of COLA clauses in the public sector. It is recognized that the negotiation of multi-year contracts without COLA clauses is difficult in an inflationary period. But as part of a continuing effort to cool the existing inflationary climate, the negotiation of one-year contracts is a preferable alternative. The Committee therefore recommends that:

6.19 IN FUTURE CONTRACT NEGOTIATIONS,
THE INCLUSION OF COST-OF-LIVING
ADJUSTMENTS BE DISCOURAGED.

Fringe Benefits

Fringe benefits in the public sector compare favourably with those in leading private industries and, indeed, are better than average. In 1974, the Civil Service Commission estimated that benefits in the public service cost approximately 28.4 per cent of payroll.

A comparison of the major public sector fringe benefits covering pensions, income protection plans, and vacations shows that substantial variations exist. Table 6-5 presents these comparisons in summary form. To the extent that they stimulate demands for catching-up and parity, these differences lead to escalating costs.

In view of the significant costs associated with the provision of fringe benefits and the fact that, as a percentage of payroll, benefit levels compare quite favourably with those in the private sector, further major improvements should be resisted. In this connection, the Committee recommends that :

- 6.20 THE PUBLIC SECTOR DEVELOP A STANDARD APPROACH FOR COSTING FRINGE BENEFITS, IN ORDER TO PERMIT COMPARABILITY WITHIN THE PUBLIC SECTOR AND WITH THE PRIVATE SECTOR.
- 6.21 BARGAINING BE CONDUCTED ON THE BASIS OF THE ACTUAL COST OF THE BENEFIT PACKAGE AND COMPARISONS OF COVERAGE PROVIDED, RATHER THAN ON A PIECEMEAL COMPARISON OF INDIVIDUAL BENEFITS.
- 6.22 THE INTRODUCTION OF FURTHER MAJOR IMPROVEMENTS IN PENSION PLANS BE RESISTED UNTIL THERE IS A CLEAR INDICATION OF FUTURE CHANGES IN THE CANADA PENSION PLAN AND TRENDS IN PRIVATE SECTOR PENSION PLANS.

EXAMPLES OF COMPARATIVE PUBLIC AND
PRIVATE SECTOR SALARY RANGES
AS OF OCTOBER 1, 1975

Table 6 - 4

	JOURNEYMAN CLERK \$	BUILDINGS CLEANER \$	GENERAL LABOUR \$
1. Toronto General Hospital	8,412	4.50	4.67
2. Province of Ontario	9,364	4.43	4.53
3. Municipalities			
Metro	9,665	4.69	5.06
Niagara Region	9,918	-	5.02
Scarborough PUC	11,386	-	5.52
Hamilton Street Railway ¹	10,776	5.16	5.09
Ottawa Region	10,371	5.05	5.05
4. Education			
York University	8,150	4.60	5.75
5. Crown Corporations			
Air Canada	10,525	5.09	-
Ontario Hydro ¹	13,687	5.95	5.75
6. Industrial - Commercial	7,900 to 11,000		
Dryden Paper ¹		-	4.82
Standard Tube ¹		5.00	5.00
Union Carbide		-	5.00
T.J. Lipton		-	4.04

¹These settlements contain a form of C.O.L.A.

Sources: Publications of the federal Department of Labour and the provincial Ministry of Labour.

MAJOR FRINGE BENEFITS IN ONTARIO'S PUBLIC SECTOR

Table 6 - 5

A. PENSIONS

	Contributions	Employee Benefits	Pension Vesting (Years)	Pension Escalation
Province (PSSF)	6%	1% per year Highest 5 years	10	Max. 8% Offered
Hydro	5%	Highest 5 years	1	Under Nego- tiations
Municipal (OMERS)	5.5%	2.2% Career Average (Adjust- ed)	0	-
Teachers (TSF)	6%	Highest 7 years	10	Max. 8% Accepted
Hospitals (HOCFF)	6%	1.5% of 1959 Earnings plus 2% of Highest 5 Years thereafter	10	-

B. INCOME PROTECTION PLANS

	Life Insurance Salary* Coverage	Prem. Sub.	Sickness Attendance (Days) Credits	Cash Max.	Wage Prot.	Health CHIP	Dental
Province	3/4M Maximum	100%	15	6 mon.	66%	90%	No
Hydro	2M	50% + 15	875%	-	60%	100%	Yes
Municipal	2M	50%	16	6 mon.	65%	100%	Yes-10%
Teachers	3M	Up to 100%	16 - 20	6 mon.	60-75%	60-100%	Yes- 5%
Hospitals	2M	Up to 100%	Special Plan	-	-	100%	Yes- 2%

* 3/4 of Annual Salary

C. VACATIONS

	Years of Service Required For		
	3 Weeks	4 Weeks	5 Weeks
Province	1	15	15
Hydro	1 - 3	10	20
Municipal	1 - 5	13	22
Teachers	2 Months Plus Christmas & Easter Break		
Hospitals	1	3	15

Sources: Various ministry documents.

CHAPTER 7

POST-SECONDARY EDUCATION

PUBLIC SUPPORT OF POST-SECONDARY EDUCATION

The system under which the public sector provides financial support to post-secondary education is characterized by the following features:

- The Province has adopted a policy of providing access to post-secondary education to those who wish to pursue it, consistent with the maintenance of acceptable entrance standards by post-secondary institutions.
- The fees that may be charged by post-secondary institutions are regulated by the Government in order to keep direct costs to students as low as possible.
- For most of the past decade, the allocation of operating grants to post-secondary institutions has been tied to student enrolment. Use of this formula has had the effect of encouraging recruitment of students and permitting maximum use of available facilities.
- In providing financial support to post-secondary institutions, the Province has been careful not to infringe on their autonomy, particularly in matters of curriculum, staffing, and internal budgetary allocations. The roles of the Council on University

Affairs and the Council of Regents for Colleges of Applied Arts and Technology reflect and support this intent.

- The Province provides assistance to needy students through a grant program that operates in conjunction with a federal loan program.
- About 85 per cent of the operating costs of post-secondary education are covered by a federal/provincial shared-cost arrangement. This arrangement is subject to a nation-wide limit of 15 per cent annual growth on the federal share.

Under these policies and programs, post-secondary education in Ontario has grown rapidly during the past decade. This growth has been further stimulated by the fact that a degree from a post-secondary institution has been widely used as a standard for determining qualification for employment. Governments in particular have appeared to base eligibility for an extensive number of positions on higher-level, formal educational achievements. Society and the school system have reinforced this emphasis on paper credentials by encouraging students to believe that a higher education virtually guarantees satisfying employment at superior rates of remuneration.

The data presented in Table 7-1 illustrate the recent expansion of post-secondary education in Ontario. Enrolment in the universities more than doubled in eight years; in colleges of applied arts and technology (CAATs), it more than doubled in only four years. The participation rate of the 18-24-year

GROWTH OF ONTARIO UNIVERSITIES AND
COLLEGES OF APPLIED ARTS AND
TECHNOLOGY, 1966-1975

Table 7 - 1

<u>Universities</u>	<u>1966-67</u> ¹	<u>1974-75</u>
Enrolment (Full-Time Equivalent)	76,711	180,544
Participation Rate (18-24 Age Group)	9.2%	14.3%
Student Fees (\$ Millions)	32.1	106.0
Public Sector Operating Grants (\$ Millions)	111.4	567.9
- Federal Share (\$ Millions)	29.0	340.0
<u>Colleges of Applied Arts and Technology</u>	<u>1970-71</u>	<u>1974-75</u>
Enrolment (Full-Time Equivalent)	43,711	92,637
Participation Rate (18-24 Age Group)	3.2%	5.3%
Student Fees (\$ Millions)	7.2	24.3
Public Sector Operating Grants (\$ Millions)	119.9	260.8
- Federal Share (\$ Millions)	79.6	139.6

¹First year in which the enrolment-based formula was applied to the allocation of operating grants.

Source: Derived from various annual reports and statistical summaries prepared by the Ministry of Colleges and Universities.

group increased from approximately 10 per cent in 1966-67 to 19.6 per cent in 1974-75.¹ Provincial operating grants also escalated rapidly in this period, with those to universities rising five-fold and those to the CAATs doubling in four years.

In recent years, student fees have declined as a percentage of the operating income of universities and CAATs, and public support has increased accordingly (see Table 7-2). Public assistance for students also has increased and now approaches \$54 million annually in provincial grants, scholarships, bursaries, and fellowships, plus about \$70 million in federal loans. In addition, assistance is provided from other federal sources such as the National Research Council, the Canada Council, Central Mortgage and Housing Corporation, and the Department of National Health and Welfare. Table 7-3 shows the increase in such aid from 1966-67 to 1974-75, with estimates for 1975-76.

RECENT RESPONSE TO RISING COSTS

In 1972-73, in an effort to control rising costs, the Province took four important steps:

- It imposed a moratorium on all new capital funding, with certain exceptions

¹The 18-24 year age group is the most widely used measure of participation in post-secondary education; but, for two reasons, it is considered to understate the actual participation rate:

- The average duration of enrolment in post-secondary studies is three years, as compared with the seven-year spread in the 18-24 age group.
- the average age of full-time graduate students is 27 years.

The actual participation rate is judged to be about 35-40 per cent.

SOURCES OF OPERATING INCOME OF ONTARIO
 UNIVERSITIES AND COLLEGES OF
 APPLIED ARTS AND TECHNOLOGY, 1966-1975

Table 7 - 2

	<u>1966-67</u>	<u>1974-75</u>
<u>Universities</u>		
Student Fees	28.0%	18.0%
Provincial Operating Grants	72.0	80.8
Other Grants	-	1.2
Total	<u>100.0</u>	<u>100.0</u>

	<u>1972-73</u>	<u>1974-75</u>
<u>CAATs</u>		
Student Fees	13.1%	11.6%
Provincial Operating Grants	85.5	86.6
Other Grants	1.4	1.8
Total	<u>100.0</u>	<u>100.0</u>

Source: Derived from various annual reports and
 statistical summaries prepared by the
 Ministry of Colleges and Universities.

PUBLIC ASSISTANCE TO POST-SECONDARY
STUDENTS IN ONTARIO, 1966-1976
(\$ MILLIONS)

Table 7 - 3

	<u>1966-67</u>	<u>1974-75</u>	<u>1975-76</u> ¹
Provincial Grants	5.3	39.5	49.5
Provincial Scholarships	4.5	3.2	4.0
Federal Loans	14.4	60.6	70.0
	<hr/>	<hr/>	<hr/>
Total	24.2	103.3	123.5

¹Estimated.

Source: Derived from various annual reports and
statistical summaries prepared by the
Ministry of Colleges and Universities.

being allowed as circumstances warranted.

- It imposed an embargo on the funding of all new graduate programs.
- It established restraints on the enrolment level to be funded for part-time general-interest courses in CAATs.
- It introduced an across-the-board increase in student fees of \$100 a year.

The Province also acted to ensure that the autonomy of post-secondary institutions would be preserved and to aid them in the process of self-government. Following a recommendation put forward by the Commission on Post-Secondary Education in Ontario, in 1973 the Government established the Ontario Council on University Affairs to provide liaison between government and these institutions. It also strengthened the role of the Council of Regents for Colleges of Applied Arts and Technology.

In 1974, the Province moved from a purely enrolment-based financing formula to a global budgeting approach that took into account changes in enrolment levels in post-secondary institutions. Under the new system, the Government determined the total amount of funds to be allocated to universities and colleges, with the stipulation that student fees were not to be increased; and both the Council on University Affairs and the Council of Regents advised the Government on how these funds should be distributed.

CONTINUING CONCERNS

Despite the cost-restraining actions taken in 1972-73 and subsequent years, several aspects of government financing in this area continue to be of concern to the Province:

- The cost to taxpayers of the post-secondary education system in Ontario now exceeds \$1 billion, representing 8.5 per cent of total provincial expenditures.
- The open-door policy, in combination with public attitudes towards post-secondary education, tends to encourage the growth of both enrolment and public expenditures at rates that may result in higher taxes for citizens and businesses in Ontario.
- The imposition of cost ceilings by the federal government on its share of joint financing arrangements raises additional concerns about the ability of the Ontario tax base to sustain a rapidly growing system.
- The direct advantages of post-secondary education accrue primarily to about one-third of Ontario's young people, though other citizens may realize some indirect economic and social benefits.
- Because of market forces and an over-supply of graduates in some disciplines, the economic benefits of post-secondary education to certain individuals are no longer assured. In fact, the gains to

these individuals may be essentially personal rather than shared by society as a whole. In view of the extent of public support of post-secondary institutions, the social equity of this situation is questionable.

FUTURE FINANCING OF UNIVERSITIES AND CAATs

The members of the Special Program Review are concerned by the prospect of an increasing burden to taxpayers in support of post-secondary education. Although extension of the post-secondary education system to meet citizen needs is both a legitimate public investment and an important political and social goal, we conclude that a reduction in the rate of taxpayer's support of the system is not only desirable but necessary. In order to achieve such a reduction, the following changes should be made in current policies and practices:

- For the immediate future, no further public support should be directed towards increasing student participation rates.
- The Province's percentage share of total operating costs should be reduced and tuition fees correspondingly increased, and/or improvements should be made in the efficiency and productivity of all aspects of post-secondary institutional operations.
- The attitudes of employers and society as a whole should be adjusted to discourage reliance on paper credentials in determining eligibility for employment and to encourage the acceptance into the labour market of

young people who terminate their formal education at the secondary school level.

Specifically, to effect these changes, we recommend that:

- 7.1 THE GOVERNMENT LIFT ITS CONTROL ON TUITION FEES AND ALLOW UNIVERSITIES AND COLLEGES, EITHER COLLECTIVELY OR INDIVIDUALLY, TO DETERMINE THE APPROPRIATE FEE LEVELS THAT WILL PERMIT THE EFFICIENT DELIVERY OF HIGH-QUALITY EDUCATION WHILE AT THE SAME TIME MAINTAINING PUBLICLY ACCEPTABLE ENTRANCE STANDARDS.
- 7.2 THE LEVEL OF GOVERNMENT SUPPORT BE GRADUALLY ADJUSTED OVER A PERIOD OF SEVERAL YEARS SO AS TO ALLOW AN INCREASE IN THE PROPORTION OF UNIVERSITY AND COLLEGE COSTS COVERED BY TUITION FEES.
- 7.3 THE ONTARIO COUNCIL ON UNIVERSITY AFFAIRS AND THE COUNCIL OF REGENTS FOR COLLEGES OF APPLIED ARTS AND TECHNOLOGY BE REQUESTED TO CONTINUE TO DEVELOP FORMULAS FOR THE DISTRIBUTION OF PROVINCIAL SUPPORT THAT WILL GIVE SOME RECOGNITION TO ENROLMENT CHANGES.
- 7.4 FULL SUPPORT BE GIVEN TO THE RECOMMENDATIONS OF THE COMMISSION ON POST-SECONDARY EDUCATION IN ONTARIO TO DISCOURAGE THE USE OF ACADEMIC ACHIEVEMENT OR PAPER CREDENTIALS AS A JOB SCREENING MECHANISM.

7.5 THE PROVINCE'S SUPPORT FOR PART-TIME GENERAL-INTEREST COURSES IN COLLEGES OF APPLIED ARTS AND TECHNOLOGY BE PHASED OUT SO AS TO PUT THEM ON A FULL-COST RECOVERY BASIS AND THE COLLEGES BE ENCOURAGED TO DIRECT THEIR EFFORTS TOWARDS PROVIDING VOCATIONAL AND TECHNICAL TRAINING OF THE HIGHEST CALIBRE. IN THIS CONNECTION, COLLEGES SHOULD ALSO CONSIDER SHORTENING CERTAIN COURSES AND PROGRAMS OF STUDY.

7.6 NO ADDITIONAL PROVINCIAL FUNDS BE MADE AVAILABLE FOR NEW UNIVERSITY PROGRAMS AT THE GRADUATE LEVEL.

As noted earlier, in 1974 the Government moved from an enrolment-based financing formula to a global budgeting approach. Under this method of financing, the total amount of funds to be allocated to universities and colleges was determined, and the Council on University Affairs and the Council of Regents advised the Government on how these funds could be distributed. Support was provided to post-secondary institutions on the condition that their tuition fees would not be increased.

In 1974, the two advisory councils put forward the following recommendations for distribution of funds:

- For universities, the 16.9 per cent increase in available funds under the global financing method should be allocated according to the existing distribution formula. This recommendation was accepted. The recommended addition of \$16.2 million to the global amount was not, however, approved.

- For CAATs, an 11 per cent increase was recommended over each college's 1974-75 operating grant to compensate for inflation, with the remaining portion of the 15.4 per cent global increase to be distributed among the colleges according to their enrolment growth. This recommendation also was accepted.

In view of the apparent suitability of this method of financing, we recommend that:

7.7 THE GLOBAL BUDGETING FINANCING APPROACH BE CONTINUED AS A MEANS OF ACHIEVING THE OBJECTIVES OF AUTONOMY, EFFICIENCY, AND QUALITY IN POST-SECONDARY EDUCATIONAL INSTITUTIONS.

We also propose that the following guidelines be adopted for determining the global budgeting level over the next three years:

- Tuition fees. At present, tuition fees cover 12 per cent of the total operating costs of CAATs and 18 per cent of those of universities. The proportion for universities in the mid-1960s was about 24 - 28 per cent. A return to this level of support for universities and an increase to approximately 18 per cent for CAATs (which would maintain the current differential) would require an increase in tuition fees of about 65 per cent. The most appropriate method of achieving this transition

appears to be the phasing of increases over a three to four-year period. The effect of implementing this proposal, excluding future inflation, would be to increase average fees for universities from \$588 to \$970 and for CAATs from \$250 to \$400. It would also reduce the global budget by up to \$80 million at the end of three years.

If some colleges or universities are reluctant to increase tuition fees, attempts may be made to increase the efficiency and productivity of their instructional programs. We note, however, that a significant reduction in teaching staff would be required if the target reduction of \$80 million were to be absorbed entirely through productivity increases. For the universities, this would mean a reduction in full-time staff by 2,700 from the present level of about 11,000 and an increase in the full-time equivalent student:staff ratio from about 13:1 to 16:1. The corresponding reduction required in CAATs would be about 1,250, lowering the total number of teaching staff to about 5,000.

Each institution should be allowed to select the combination of tuition fee increases and improvements in instructional programs that it prefers. To facilitate the adjustment process, the Council on University Affairs and the Council of Regents should provide a

mechanism for liaison between institutions on this important issue.

- Administrative Costs. In the "Supplementary Actions to the 1975 Ontario Budget" tabled in July 1975, the Treasurer of Ontario announced that the Government was reducing its expenditures on and staffing of support and administrative services by 10 per cent in fiscal 1975-76. He also stated that all outside bodies would be expected to apply the same level of constraint to their administrative and support operations as the Province was applying to its own operations. Consistent with this position, efficiency and productivity factors will have to be taken into consideration in the global budgeting approach. The anticipated one-time savings that can be realized from cutbacks in administrative costs are estimated at up to \$25 million.
- General Interest Courses at CAATs. The current level of provincial support for part-time general-interest courses is approximately \$10 million. This amount could be phased out over two or three years, so that in the final year the total reduction in the global budget would be \$10 million.

STUDENT ASSISTANCE

The purpose of the Ontario Student Assistance Plan is to maintain equality of educational opportunity.

The present plan is based on an assessment of financial need and consists of an \$800 federal loan awarded under the Canada Student Loan Plan, plus a provincial grant for the remainder up to a maximum of \$3,200 per year. Recent data show that approximately 20 per cent of students qualify for the loan only, and a total of 38 per cent receive the combined loan/grant.²

Since, in most cases, the student is the main direct beneficiary of post-secondary education, we recommend that:

- 7.8 AS A FIRST STEP, THE MAXIMUM PROVINCIAL GRANT BE DECREASED FROM \$3,200 TO \$2,200 AND THE LOAN PORTION BE INCREASED FROM \$800 TO \$1,800, THE CURRENT MAXIMUM UNDER THE CANADA STUDENT LOAN PLAN.

This measure would save approximately \$40 million in 1976-77.

- 7.9 THE PROVINCE INITIATE NEGOTIATIONS WITH OTHER PROVINCES AND THE FEDERAL GOVERNMENT TO REPLACE EXISTING STUDENT ASSISTANCE SCHEMES BY A NEW GUARANTEED ALL-LOAN PLAN WITH REPAYMENT PROVISIONS BASED ON SUBSEQUENT EARNINGS. CONSIDERATION ALSO SHOULD BE GIVEN TO SEVERING THE RELATIONSHIP BETWEEN PARENTAL INCOME AND ELIGIBILITY FOR THIS NEW LOAN PLAN FOR ALL STUDENTS 18 YEARS AND OVER.

²Ministry of Colleges and Universities, *Statistical Summary*, 1973-74.

- 7.10 IF THE PROPOSED NEGOTIATIONS ARE UNSUCCESSFUL, THE GRANTS PORTION OF THE EXISTING PLAN BE REPLACED BY A NEW LOAN PLAN SIMILAR TO THE ONE DESCRIBED IN RECOMMENDATION 7.9. THIS PLAN WOULD SUPPLEMENT THE CANADA STUDENT LOAN PLAN, AS IT EXISTS NOW AND AS IT MAY BE REVISED FROM TIME TO TIME.
- 7.11 CONCURRENTLY WITH RECOMMENDATIONS 7.9 OR 7.10, A BURSARY PROGRAM BE ESTABLISHED BY THE PROVINCE AND ADMINISTERED DIRECTLY BY POST-SECONDARY INSTITUTIONS TO RECOGNIZE BOTH ACADEMIC ACHIEVEMENT AND FINANCIAL NEED, SO THAT ANY BARRIERS TO OUTSTANDING STUDENTS FROM LOW-INCOME FAMILIES WOULD BE REMOVED.

MANPOWER TRAINING

The programs administered by the Manpower Training Branch of the Ministry of Colleges and Universities include the Canada Manpower Training Program, the In-School Apprenticeship Training Program, the Canada Manpower Industrial Training Program, and the Training Improvement Program. Most of these programs are funded by the federal government, which also contributes to associated overhead and administrative costs. In 1975-76, federal support amounts to \$87 million. In addition, the Branch operates the Training in Business and Industry Program, at a cost to the Province of \$2.6 million in 1975-76; it administers The Apprenticeship and Tradesmen's Qualification Act; and it employs training consultants who advise industry, carry out analyses of training experiments, and design modular programs for training purposes. The Branch employs a staff of 322, for a total cost in salaries of over \$3 million. Reimbursements from

the federal government and revenues from tradesmen's certificates ensure that almost all of these costs are recovered by the Province.

The Training in Business and Industry Program appears to duplicate federal efforts in this field.³ We therefore recommend that:

- 7.12 THE GOVERNMENT REVIEW THE NEED TO BE INVOLVED IN PROGRAMS OF MANPOWER TRAINING OTHER THAN THOSE FUNDED BY THE FEDERAL GOVERNMENT,

The Report of the Task Force on Industrial Training⁴ chaired by Mr. W.R. Dymond recommended that the general powers for the compulsory certification of trades be removed from The Apprenticeship and Tradesmen's Qualification Act. The Committee therefore recommends that:

- 7.13 THE GOVERNMENT TAKE THE NECESSARY STEPS TO DISCONTINUE ITS INVOLVEMENT IN THE COMPULSORY CERTIFICATION OF TRADESMEN AND APPRENTICES.

TIMING AND IMPLEMENTATION

Post-secondary educational institutions and their clients require considerable lead-time to respond to change, particularly in financial arrangements.

³Overlaps in federal-provincial activities are discussed in more detail in Chapter 5 of this report.

⁴*Training for Ontario's Future, Report of the Task Force on Industrial Training*, Ontario, 1973, Recommendation 33.

In view of this fact, and in recognition of the Government's recent commitment to maintain current university tuition levels throughout 1976-77, we propose that our recommended changes be scheduled for gradual implementation over a three to four-year period.

CHAPTER 8

HEALTH CARE

FINANCING THE HEALTH CARE SYSTEM

The quality of health care available in Ontario compares favourably with that in other jurisdictions within and outside Canada. A wide range of facilities and services is provided, and access to them is generally good throughout the province. Moreover, the burden of cost to users of Ontario's health services is substantially eased by a universal program of medical and hospital insurance.

The development and maintenance of the health care system have required large expenditures by the Province over an extended period of time. In 1975-76, the Ministry of Health has a budget of \$2.9 billion, representing 28 per cent of total provincial expenditures (excluding interest on the public debt). About 80 per cent of this amount is expected to be disbursed through payments to public hospitals and medical practitioners.

Although the quality and availability of health services have improved steadily in recent years, the continuing escalation in health costs is of major concern to the Government. To some extent, increased costs can be attributed to improvement of the system, but other factors also are contributing to the problem:

- There has been an increase in the public's demand for health services and in the frequency of use of these services. In the period 1965-1973, the rate of increase

in admissions to public hospitals was double the growth of Ontario's population; and since 1971, there has been a 20 per cent rise in the number of medical visits per person. Although the introduction of hospital and medical insurance was expected to lead to greater use of facilities and services, there is no indication that the trend is slackening. In view of the high level of health expenditures on payments to hospitals and practitioners, there is a danger that in future the Province's health budget will claim an even larger proportion of provincial funds than the current 28 per cent.

- Federal-provincial cost-sharing arrangements have encouraged the development and use of a very costly health care system. Specifically, the hospital agreements of the 1950s and the medical agreements of the 1960s shifted funding priorities to the provision of services in these areas.
- The cost of private laboratory services in Ontario has increased substantially in recent years; in fiscal 1975-76, it is expected to be 29 per cent higher than the figure reported for the previous

year. Moreover, private laboratories are claiming an increasing share of the market for these services.

- The health care system, like other areas of provincial expenditure, is experiencing the effects of general inflation in the economy, particularly in the wages and salaries paid to health manpower.

Underlying these factors is a more fundamental problem: the public has come to view the provision and maintenance of health services as a government responsibility; and, indeed, government - at both the federal and the provincial levels - has tended to encourage this attitude by in fact assuming this responsibility. There is, however, little public awareness of the real cost of the health care system.

The major sources of funding for health in Ontario are premiums collected under the Ontario Health Insurance Plan (OHIP), federal payments, and provincial general revenues, providing 19 per cent, 37 per cent, and 44 per cent respectively of the total health budget in 1975-76. Current OHIP premium rates are \$264 per year for a family and \$132 annually for a single person. Persons over 65 years of age, those in receipt of welfare assistance, and those with no taxable income pay no premiums; and individuals in low-income groups receive 50 per cent premium assistance, at an estimated annual cost to the Province of \$181 million. Premium revenues for 1975-76 are estimated to be \$564 million. The majority of premiums are collected through groups; close to 71 per cent are paid by employers on behalf of their employees. Few users of Ontario's health services realize that if all costs were paid directly out-of-pocket, the annual

premium required from current contributors to finance the Province's health expenditures in 1975-76 would be \$1,320 per family and \$660 per single person.

Although, as noted, there has been a tendency to take government funding of health services for granted, recently a different philosophy has emerged that stresses the importance of individual behaviour and environmental factors in preserving and maintaining health. In effect, part of the burden of responsibility is being transferred back to the individual and to other areas of social concern. This philosophy has been openly endorsed by the federal government in a policy document entitled *A New Perspective on the Health of Canadians*, issued in 1974 by the Department of National Health and Welfare. This shift of emphasis to a basic concern for lifestyle and quality of the environment clearly refocuses the priorities for expenditures on health care. Indeed, we believe that the adjustment in attitudes implied by this new approach is the key to cost control in this area of government spending.

The Committee commends the federal government for directing public attention to the behavioural and environmental aspects of health. The importance of physical fitness and of individual moderation in the consumption of food, alcohol, and drugs must be stressed. It also is important to alleviate or eliminate health hazards in the environment. For example, each year approximately 85,000 persons are injured in traffic accidents in Ontario. The universal use of seat belts would reduce the number of injuries and deaths in Ontario by 20 per cent, producing an estimated saving in hospital and medical costs of \$35 million annually.

HOSPITAL SERVICES

Table 8-1 provides an historical perspective on the growth of Ontario's hospital services in comparison with the growth in population for the period 1965-1973. Between 1969 and 1973, the total number of rated beds in public hospitals in Ontario increased by only 5 per cent as compared with a 15 per cent increase for 1965-1969. This reduction in the rate of expansion is attributed to specific efforts to control growth following the announcement of provincial standards by the Ministry of Health in 1971. The population increase for 1969-1973 was 7 per cent. Admissions to public hospitals between 1969 and 1973 rose at double the rate of population growth, contributing to a large increase in paid hours over the same period. The number of total patient-days, however, remained almost constant, reflecting a 20 per cent drop that occurred in the average length of stay per patient. The growth in the use of hospital services is partially accounted for by population growth, but it also reflects an increase in the number of medical practitioners, the development of new medical technology, the dispersion of specialized services into smaller communities, and the increased use of laboratory and radiology services.

As a consequence of growth and the pressure of inflation, the operating budgets for public hospitals will likely exceed \$2 billion in 1976. This figure represents an increase of almost 70 per cent over 1973.

The provision of active treatment hospital care is the most costly element in the operation of the health system in Ontario, comprising almost 60 per cent of total health expenditures. Thus, a

GROWTH OF HOSPITAL SERVICES
IN RELATION TO POPULATION,
ONTARIO, 1965-1973

Table 8 - 1

		<u>Percentage Increase</u>	
	<u>1973</u>	<u>1969/65</u>	<u>1973/69</u>
Total Rated Beds	48,853	15	5
Total Patient-Days ¹ (millions)	14.4	13	2
Total Admissions ¹ (millions)	1.4	15	18
Total Paid Hours Excluding Education (millions)	200.0	28	11
Total Provincial Population (millions)	7.9	11	7

¹Excluding newborn.

Source: Hospital Statistics, Ontario Ministry of Health.

re-examination of public health facilities and services seems to offer the best potential for effectively controlling future increases in the cost of health care. To ensure that such controls do not impair the quality of service provided, the review of public hospital operations should be aimed at achieving more efficient use of existing facilities and more rational planning for anticipated needs, as well as greater productivity on the part of hospital staff. Most important, the possibility of developing alternative, less costly modes of care should be thoroughly explored. These proposals are discussed in the pages that follow.

Existing Facilities and Future Planning

In 1971, the Ministry of Health specified that as a standard for active treatment bed facilities, there should be 4.0 beds per 1,000 population or, in the case of northern Ontario, 4.5 beds. At the time of this announcement, there were more than 5.0 beds in service per 1,000 population. Moreover, hospital boards were requesting new facilities that would have increased the supply beyond 6.0 beds per 1,000. The proposed reduction to 4.0 beds reflected a growing concern that there was too heavy an emphasis in the health system on active treatment hospital care and that, as a result, less costly alternatives to hospital services and facilities were being neglected. The importance of planning and coordination in the development of a comprehensive health services system was emphasized by the Health Planning Task Force, established in 1973 under the chairmanship of Dr. J. Fraser Mustard.¹

¹ See *Report of the Health Planning Task Force*, Ontario, 1974.

Despite attempts to control expansion, at the present time the number of beds in service in some public hospitals exceeds the planning standards established by the Ministry of Health. As Table 8-2 shows, there is currently a surplus of active treatment and extended-care facilities. As a first step in improving the efficient use of hospital facilities, the Committee recommends that:

- 8.1 BEFORE PRESENT HOSPITAL FACILITIES ARE EXPANDED OR NEW FACILITIES ARE ADDED, THE GOVERNMENT AND HOSPITAL BOARDS TOGETHER ENSURE THAT EXISTING ACCOMMODATION IS BEING FULLY AND APPROPRIATELY UTILIZED.

To help hospitals to become more efficient and productive and provide a higher calibre of care, the Committee further recommends that:

- 8.2 IN LARGER URBAN AREAS, HOSPITALS BE REQUIRED TO SPECIALIZE IN SELECTED MEDICAL AND SURGICAL PROCEDURES TO ACHIEVE A MORE PRODUCTIVE UTILIZATION OF FACILITIES AND IMPROVED CALIBRE OF CARE.

The savings that can be achieved by closing portions of existing facilities are a small part (estimated at 20 to 30 per cent) of the average cost of operation, because many costs related to overall operations cannot be reduced. The costs of adding new facilities are substantial, with operating costs

NUMBER OF HOSPITAL BEDS IN SERVICE
AS COMPARED WITH MINISTRY STANDARDS,
ONTARIO, 1975

Table 8 - 2

	<u>Standard/ 1,000 Pop.</u>	<u>Operating Capacity</u>	<u>Excess Number</u>
Active Treatment			
- Northern Ontario	4.5	4,700	1,060
- Central East (Incl. Toronto)	4.0	14,400	140
- South	4.0	19,600	3,690
- Under Construction		680	680
		39,380 ¹	+5,570
Chronic (+65)	11.9	9,200	+ 520
Nursing Homes	3.5	33,570	+4,850

¹The design capacity of hospitals is 2,000 beds higher than the number in operation.

Source: Ministry of Health.

escalating to \$40,000 per bed by 1976. Because of the marginal savings to be achieved by withdrawing beds from service and the significant increases in costs associated with the addition of new facilities, it is essential that existing facilities be fully utilized.

In this context, it is worth noting that the Central East region of Ontario (including Toronto) is operating effectively at 4.0 beds per 1,000 population. All other regions have excess beds, as measured by Ministry standards. The reasons for this surplus should be carefully studied by the Ministry of Health and suitable remedies considered.

We note further that hospitals in larger urban centres can function with relatively fewer beds than those in rural areas because ancillary services are readily accessible to urban patients. Rural hospitals form a significant part of the economic base of the community, and few alternative services are available. Thus, in considering proposals to close or convert active treatment facilities, those in the larger communities should be reviewed first. The Committee recommends that:

8.3 CONSIDERATION BE GIVEN TO
PHASING OUT SURPLUS BEDS
AND EXPENSIVE TREATMENT
FACILITIES IN SOME HOSPITALS,
PARTICULARLY THOSE IN OR
ADJACENT TO URBAN CENTRES.

To help ease the burden of operating costs to hospitals, some adjustment can be made in the rate structure currently applied to semi-private and private accommodation. At present, these rates

average about \$7 per day for semi-private and \$12 for private accommodation, generating an annual revenue of about \$40 million. Between 1973 and 1976, the cost of active treatment care will increase by 70 per cent to approximately \$150 per day. In view of the substantial increase in costs to hospitals of providing active treatment care, and the high quality of standard ward care available throughout the province (a maximum of four beds per room), the Committee recommends that:

- 8.4 PUBLIC HOSPITALS BE AUTHORIZED TO INCREASE SUBSTANTIALLY THE DAILY CHARGES FOR PRIVATE AND SEMI-PRIVATE ACCOMMODATION.

Despite the current surplus of health facilities, there are continuing pressures for new capital investments to replace existing plant that has been made obsolete by new medical technology, as well as demands for new hospital facilities. As Table 8-3 indicates, several types of funds exist for capital projects. To ensure that only the highest priorities are met and existing facilities are fully utilized, the Committee recommends that:

- 8.5 THE MINISTRY OF HEALTH AMALGAMATE THE VARIOUS FUNDS THAT EXIST AT PRESENT INTO A SINGLE CAPITAL FUND FOR THE CONSTRUCTION OF HEALTH FACILITIES.

MINISTRY FUNDS FOR CAPITAL PROJECTS,
ONTARIO, 1975-76
(\$ MILLIONS)

Table 8 - 3

Community Mental Health Facilities	\$ 1.2
Teaching Hospitals - Health Resources Development Fund	23.6
Non-Teaching Hospitals and Other Facilities	11.0
Loans	28.0
Total	63.8
Loan Write-Offs	15.0
Interest Subsidization	11.0

Source: Ministry of Health.

At the present time, the Province pays 100 per cent of the capital cost of teaching hospitals but requires other hospitals to raise 33 per cent of their capital costs, as well as repay an additional 33 per cent of funds provided at an interest rate of 3 per cent (although the major portion of these loans is written off). We believe that there is no justification for distinguishing between teaching and other hospitals in allocating funds, and the Committee therefore recommends that:

- 8.6 GRANT FORMULAS BE STANDARDIZED FOR ALL HOSPITALS AND A MAJOR LOCAL COMMITMENT OF FUNDS BE REQUIRED FOR CAPITAL PROJECTS. APPROVAL OF PLANS TO CONSTRUCT REPLACEMENT FACILITIES WILL BE CONTINGENT ON CLEAR EVIDENCE THAT SUCH FACILITIES WILL BE ABLE TO PROVIDE SERVICES AT A LOWER COST THAN THOSE ALREADY IN PLACE.

Productive Use of Manpower

Another area of concern is the cost of hospital staff in relation to the hours of service provided. It is estimated that between 1974 and 1976 the average salary levels of operational, technical, and nursing personnel in Ontario hospitals will have risen by more than 50 per cent. The total cost of salary increases for all hospital staff over this two-year period will be about \$450 million, bringing the total cost of hospital manpower to \$1.5 billion. It is recognized that there have been gains in productivity in recent years, but it is felt that a more intensive effort is required in the future.

Table 8-1 shows that there has been an 11 per cent increase in the total paid hours in the hospital system between 1969 and 1973 although the number of patient days went up by only 2 per cent in the same period. Between 1973 and 1974, total paid hours rose by almost 5 per cent or 9 million hours. In 1976, the cost of hospital personnel is expected to average \$7.00 per hour, including employer fringe benefit contributions. At this rate, if the 9-million-hour increase could be cancelled out, the savings would be \$63 million annually.

The hospital system, being labour intensive, does not readily lend itself to productivity gains through capital investment and automation. There is, however, considerable potential for more efficient use of staff without sacrificing the quality of service provided. There are two principal facts that support this view:

- Comparative statistics for departmental operations for Ontario hospitals indicate that there are variations in paid hours of service for similar levels of performance.
- As shown in Table 8-4, staff levels are lower in a number of other provinces, particularly British Columbia.

Various approaches may be taken to achieve an increase in productivity: for example, trained staff may be reduced; greater use may be made of automated equipment; and capital may be invested in the reduction of heating or other operating costs. With respect to the use of less skilled staff, we note that, in Ontario, a higher proportion of graduate nurses is employed than in the rest of Canada as a whole (representing 58.5 per cent and 54.0 per cent, respectively, of all paid hours for nursing). The

PAID HOURS PER PATIENT-DAY ,
SELECTED PROVINCES, 1974

Table 8 - 4

	All <u>Staff</u>	Nursing <u>Staff</u>
Ontario	14.31	5.28
New Brunswick	13.74	5.23
Saskatchewan	11.61	4.72
Alberta	13.61	5.11
British Columbia	10.72	4.64

Source: Statistics Canada, *Hospital Indicators*,
Jan. - Dec. 1974, Cat. No. 83-001, pp. 40
and 59.

Committee recommends that:

- 8.7 THERE BE A THOROUGH EXAMINATION OF PUBLIC HOSPITAL OPERATING COSTS, WITH PARTICULAR CONCENTRATION ON WAYS OF REDUCING THE TOTAL PAID HOURS OF HOSPITAL STAFF. THE OBJECTIVE OVER THE NEXT THREE-YEAR PERIOD SHOULD BE TO IMPROVE EFFICIENCY AND REDUCE COSTS BY 10 PER CENT, EXCLUDING THE EFFECTS OF INFLATION.

Alternative Modes of Care

In recent years, the Ministry of Health has become concerned about the continuing emphasis on public hospitals as a principal means of delivering health services. The primary source of this concern, as we have noted, is the very large proportion of funds required to develop and maintain hospital facilities.

The Ministry has been exploring the feasibility of alternative delivery systems, such as out-patient services and home care. The Committee recommends that:

- 8.8 EFFORTS BE CONTINUED TO ASSESS AND DEVELOP ECONOMICALLY FEASIBLE AND EFFECTIVE ALTERNATIVES TO THE PUBLIC HOSPITAL SYSTEM FOR THE DELIVERY OF HEALTH CARE TO RESIDENTS OF ONTARIO, PROVIDED THAT THESE SERVICES CAN BE OPERATED AT A LOWER COST AND EASE THE NEED FOR HOSPITAL FACILITIES.

MEDICAL SERVICES

The decision-making structure of the health care system is complex. While the development of hospital facilities and services is negotiated between the Province and local hospital boards, the use of these facilities and the treatment of individual patients are largely the responsibility of medical practitioners. Since virtually all residents of the province are insured under OHIP, the ability of patients to pay for these services is no longer a constraint on use. One possible means of control, however, is to constrain the supply of physicians permitted to practise in Ontario.

In 1963, the Ontario College of Physicians and Surgeons licensed 8,000 physicians to serve the province's 6.2 million people, representing a ratio of one doctor for every 780 persons. By 1974, there were 14,000 physicians serving 8.2 million people or one doctor for every 585 persons. This ratio is well in excess of the standard approved by the World Health Organization of one doctor for every 650 people.

Forecasts based on the unrestricted immigration of physicians to Ontario indicated a further lowering of the ratio. In 1974, concern for this trend led the Ontario Government to request the federal government to impose restrictions on the entry of practising physicians from foreign countries, and in future years this step will help to control increases in supply. Arrangements agreed with the federal government will require most foreign graduates to enter Canada on work permits, thereby providing some controls on the migration of doctors to Ontario.

Between 1963 and 1973, while the population of Ontario increased by 29 per cent, the number of

general practitioners grew by 38 per cent and the number of specialists by 69 per cent (an average annual growth rate of 5.3 per cent). This extraordinary increase in the supply of specialists has been fostered by the medical schools, which encourage the use of residents (specialty trainees) in teaching hospitals. A further incentive is provided by the fee schedule of the Ontario Medical Association, which allows most specialists to earn larger incomes than non-specialists; in November 1974, general practitioners received only 41 per cent of the payments from the plan although they rendered 51 per cent of the medical services. Moreover, the status of specialists within the profession and their prestige in the community are greater than those of general practitioners; their working conditions also are generally more favourable.

Because specialists use more complex technology than do general practitioners, their practice places a demand on active treatment hospitals for the provision of special equipment. Not all specialists can be accommodated within the large urban centres, where technological facilities are already in place, but increasing numbers are being forced to practise in smaller communities. Thus, hospitals in communities are being required to purchase expensive equipment to support specialist services, even though the demand for these services may be relatively small.

Apart from the cost implications of this trend, there are two associated negative effects of the dispersion of specialist services. First, because the demand for these services is sometimes infrequent, over time the professional skills of specialists practising in small communities may deteriorate. Second, when an increasing number of patients are treated in local hospitals, there tends to be a concentration of highly unusual cases in the teaching

hospitals located in urban centres. Consequently, medical students who obtain their training in these hospitals are further encouraged to pursue a specialist career.

In view of these considerations, and the fact that the cost of providing medical services has been increasing steadily, the Committee recommends that:

8.9 THE GOVERNMENT ACT TO ENSURE THAT THE RATIO OF DOCTORS TO POPULATION NOT BE INCREASED BEYOND ITS PRESENT LEVEL OF ONE PHYSICIAN FOR EVERY 585 PEOPLE.

8.10 THE GOVERNMENT TAKE THE NECESSARY STEPS TO CONTROL THE TOTAL NUMBER OF LICENSED DOCTORS, THE NUMBER AND TYPE OF TRAINING POSTS, AND THE GEOGRAPHICAL DISTRIBUTION OF BOTH GENERAL PRACTITIONERS AND SPECIALISTS THROUGHOUT THE PROVINCE.

Two mechanisms for imposing controls on the supply of medical manpower may be considered. First, the Government could take legislative action to amend the mandate of the College of Physicians and Surgeons of Ontario, limiting the number of licences that may be issued in any year and thus maintaining a desirable ratio between doctors and population, and between general practitioners and specialists. Alternatively, the Ontario Health Insurance Plan itself could establish a physician complement meeting specific criteria of supply. Other physicians would be allowed to practise but would be forced to bill and collect

from their patients; their patients, in turn, would be denied access to the benefits of the insurance plan.

There are problems associated with implementing either of these control mechanisms. First, there would be problems in establishing criteria for the College's licensing procedure that would not conflict with the provisions of the Ontario Human Rights Code. Second, neither mechanism would by itself provide for a better geographical distribution of physicians throughout the province. Third, since the Ontario Health Insurance Plan insures patients and not doctors, implementation of the second mechanism would restrict the freedom of choice for some users of health services who could not afford to pay for the services of doctors excluded from the established complement. There is some question as to whether such an arrangement would be equitable and consistent with maintaining quality of service. There would also be a need for discussions with the federal government respecting cost sharing.

If the Government wishes to control the cost of medical services without limiting the number of physicians practising in Ontario, there are a number of possibilities that may be considered. Through negotiation with the Ontario Medical Association regarding future fee schedules, a formula could be established that would reimburse physicians for the increased cost of practice, recognize increases in the cost of living, and provide an incentive for reductions in the use of services. Specifically, the formula would establish an amount to be paid from OHIP each year for physicians' services.

In addition, mechanisms could be built into the OHIP premium structure to encourage Ontario residents to use health services only when necessary.

Since direct out-of-pocket expenditures on health premiums are rather small, however, the efficacy of this alternative is questionable. A better solution might be to provide tax credits based on the individual's use of the health care system.

Under the present payment system, there is no effective means of preventing doctors from encouraging unnecessary repeat visits by their patients. It is therefore useful to consider revising the OMA fee schedule to discourage repeat visits.

EDUCATION IN THE HEALTH SCIENCES

One characteristic of the increase in the number of doctors practising in Ontario is that it has exceeded by a significant amount the rate of growth required to compensate for attrition in supply caused by retirement, death, and emigration. If the annual rate of attrition is assumed to be 3.2 per cent of the work force and the present ratio of one doctor for every 585 persons is established as a desirable standard, approximately 650 new doctors will be required in Ontario each year. At current capacity, the province's medical schools can supply 600 doctors a year; but under plans for expansion that are already in effect, this number will soon be increased to 670. This estimate makes no allowance for the fact that some Ontario medical students obtain their training outside the province and subsequently return to establish their practice here. It is reasonable to conclude, then, that if medical schools continue to increase their training capacity, they will produce an oversupply of physicians.

Moreover, as we have noted earlier, there is some concern about the increasing proportion of specialists practising in Ontario. One way of redressing this imbalance is to redirect medical education programs

towards the training of greater numbers of general practitioners.

The Committee recommends that:

8.11 PLANS TO EXPAND ONTARIO'S
MEDICAL SCHOOLS BEYOND
THEIR PRESENT CAPACITY BE
CURTAILED.

8.12 TRAINING PROGRAMS FOR
DOCTORS MAINTAIN AN ADEQUATE
SUPPLY OF GENERAL PRACTITIONERS
IN THE PROVINCE.

There is also a need to re-examine the supply of nurses in Ontario. Currently, there are 71,000 nurses registered with the Ontario College of Nurses. Only 46,000 are working in nursing; and of these, only 33,000 are full-time nurses. The remaining 25,000 either work at occupations other than nursing or are not currently in the labour force. This supply is augmented by about 4,000 training nurses who graduate each year from Ontario nursing schools.

It is apparent that Ontario already has a large reserve of potentially employable nurses, and it is questionable whether the health care system will be able to absorb all the future graduates of nursing schools in the province.

LABORATORY SERVICES

At present, three types of laboratory services are available in Ontario:

- public health laboratories
operated directly by the

Ministry of Health;

- active treatment hospital laboratories; and
- licensed private laboratories.

As noted earlier, private laboratories are increasing their share of the market, and the cost of their services is rising rapidly. There are a number of factors contributing to this growth that should be examined. First, physicians are becoming increasingly aware of the risk of malpractice litigation and are requesting more laboratory testing in an endeavour to document their competence and as a precaution against possible complications in diagnosis. Second, recent budgetary pressures experienced by active treatment hospitals have limited their ability to expand their laboratory services to meet growing demand. Thus, some tasks that were formerly performed in hospitals are now carried out by private laboratories. Third, as a result of aggressive marketing on the part of private laboratories, physicians are using their services to an increasing extent. Fourth, private laboratories have become increasingly sophisticated in their use of automated technology. It is now possible to perform multiple tests using a single sample; consequently, physicians are encouraged to order more tests per sample.

It is possible to change the basis on which laboratories are paid for their services; in some instances, competitive tenders may be requested from several facilities. In addition, there should be a re-examination of budgetary procedures and a redistribution of laboratory work to improve efficiency in the provision of laboratory services. The Committee recommends that:

8.13 REIMBURSEMENT PROCEDURES FOR
LABORATORIES BE EXAMINED
WITH A VIEW TO CONTROLLING
THE VOLUME AND ENSURING THE
EFFICIENT PROVISION OF
SERVICES.

PUBLIC RESPONSIBILITY FOR HEALTH CARE

In the preceding pages, we have identified five main areas within the existing health care system where cost controls may be effectively introduced:

- more efficient use of existing hospital facilities and more rational planning for anticipated needs;
- improved productivity on the part of hospital staff;
- development of alternative, less costly means of delivering health services currently provided by public hospitals;
- supply of medical services and training of health manpower in accordance with identified needs; and
- more efficient use of laboratory facilities and services.

Our recommendations in these areas are, however, insufficient in themselves to achieve the degree of improvement that we believe is necessary in provincial spending on the health care system. As we pointed out earlier, the key to controlling health costs is the promotion and acceptance of new

attitudes to health care. Specifically, there is a need to bring to the attention of the public the cost of current services and the proper locus of responsibility for health care.

One means of effecting change in this area is to introduce user charges that will make the public more aware of health costs and discourage careless or unnecessary use of health services. The procedures to be developed should recognize ability to pay and exempt persons receiving free health insurance. The procedure should also be as simple as possible to administer. Some of the options have been suggested earlier in this report, and they are summarized as follows:

- fees paid directly by users of medical services, or a minimum annual deduction from insurable coverage payable by the user (a charge of \$2.00 per visit, for example, would generate revenues to the Province of \$100 million, depending on the types of exemptions allowed for persons receiving premium assistance);
- direct charges to patients for services in emergency departments, out-patient visits, and hospital in-patient care (charges of \$5.00 in each case would generate revenues of \$20 million from emergency visits alone and up to \$50 million from in-patient care, assuming that persons over 65 years were exempted, or \$70 million without this reduction);

- charges to medical practitioners for laboratory and other services rendered on behalf of patients after appropriate adjustments to the existing fee schedule; and
- rebates of premiums paid in recognition of low use of health services.

The Committee recommends that, after consideration of these and other alternatives:

8.14 THE MINISTRY OF HEALTH IN COOPERATION WITH THE MEDICAL PROFESSION AND THE ONTARIO HOSPITAL ASSOCIATION BE DIRECTED TO PROVIDE TO THE GOVERNMENT BY APRIL 1, 1976 ALTERNATIVE PROPOSALS FOR FINANCIAL AND OTHER WAYS TO INCREASE PUBLIC AWARENESS OF HEALTH COSTS AND TO DISCOURAGE CARELESS OR UNNECESSARY USE OF HEALTH SERVICES.

To reinforce the effect of these measures, other mechanisms should be introduced to place responsibility for at least some health expenditures at the local level. A useful parallel is the local board of education, which has the power to raise revenues through property taxes to cover part of the cost of the public school system.

In 1974, the Health Planning Task Force recommended that District Health Councils be created across Ontario with responsibility for health planning and policy.² They would not, however, authorize

² See *Report of the Health Planning Task Force*, Ontario, 1974.

expenditures, since the tax base for the support of health services is at the provincial level. The Task Force also recommended the creation of Area Health Services Management Boards to facilitate the integrated delivery of primary and secondary care within each district.

We agree with the Task Force that there is a need to develop mechanisms to improve the planning and coordination of health services at the local level. This means that local areas must be responsible and accountable for both the management and the financing of the health care system. The Ministry of Health, as an initial step, should change its budgeting system to aggregate funding requests from health institutions on an appropriate geographical basis that recognizes such factors as regional municipality and county boundaries, as well as the jurisdiction of existing and proposed District Health Councils. Per capita expenditure guidelines also should be developed for the review of individual institutional budgets in particular areas. Existing District Health Councils should play an active part in the budget process.

The Committee recommends that:

- 8.15 IN THE LONGER TERM, THE GOVERNMENT EXTEND BLOCK FUNDING TO A LOCALLY ELECTED BODY FOR ALL ASPECTS OF HEALTH EXPENDITURES, EXCLUDING MEDICAL SERVICES, AND INITIAL STEPS BE TAKEN IN THIS DIRECTION.

CHAPTER 9

SOCIAL SECURITY

SOCIAL SECURITY NETWORK

Provincial social security programs must be considered in the broader context of the entire social security network that exists in Ontario. The federal and municipal governments also operate programs in this area; and although the Ontario Government contributes to policies established at these levels, the activities that are carried out have direct implications for provincially sponsored programs.

Table 9-1 shows absolute provincial expenditures on social security from 1970-71 to 1974-75 and includes an estimate for the current 1975-76 fiscal year. Expenditures on programs directed at the elderly have experienced the largest overall increase, rising from \$47.7 million in 1970-71 to \$402.5 million in 1975-76, a percentage increase of 744 per cent. The biggest growth years for this group were 1972-73 and 1974-75, marking full subsidization of OHIP premiums in the first instance and the introduction of the Guaranteed Annual Income System (GAINS) and the Pensioner Tax Credit in the second.

The second category represented in the table indicates expenditures at the provincial level, including federal cost sharing, for the under-65 population group. Program costs for this group have not grown as extensively as those for the elderly, mainly because there have been significant expenditures on Family Benefits Allowances (FBA) since the beginning of the period. Nonetheless, the growth has been large, at 187 per cent from 1970-71 to 1975-76. As with the elderly, 1972-73 and 1974-75 marked the

PROVINCIAL EXPENDITURES ON SOCIAL SECURITY
PROGRAMS, ONTARIO, 1970-71 TO 1975-76
(\$ MILLIONS)

Table 9 - 1

	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>Estimated 1975-76</u>
Elderly	\$ 47.7	\$ 56.9	\$169.0	\$192.1	\$326.9	\$402.5
Income Maintenance						
- Provincial Allowance						
& Benefits	122.4	145.7	192.6	212.6	270.4	351.0
Income Maintenance						
- Support Towards						
Municipal Costs	91.9	120.4	114.6	103.9	120.8	145.7
Other	229.8	257.7	180.4	397.9	598.3	677.6
	<u>491.8</u>	<u>580.7</u>	<u>656.6</u>	<u>906.5</u>	<u>1,316.4</u>	<u>1,576.8</u>
GRAND TOTAL						

Sources: Documents prepared by various ministries of the Ontario Government.

largest growth years, again reflecting full OHIP premium subsidization in the former case and the introduction of GAINS for the disabled and blind in the latter.

The third item shown in the table, provincial support towards municipal costs, demonstrates similar trends. Over the period, the growth of these expenditures, at about 59 per cent, has been considerably less than that for other programs. The lower growth reflects the small number of program initiatives at this level.

The final item, designated as Other, represents programs that generally are applicable to all the aforementioned categories. Expenditure growth has been high for this group of programs as well, reaching 195 per cent over the period. Notable growth years were 1973-74, when the Property Tax Credit Plan was introduced, and 1974-75, when the Sales Tax Credit was implemented.

Total provincial expenditures on social security programs increased by 221 per cent between 1970-71 and 1975-76. A large portion of the increase is directly attributable to the introduction of new programs. A comparison of the growth of programs in effect at the beginning and end of the period indicates a considerably lower growth rate of 66 per cent. In other words, approximately 155 percentage points of the 221 per cent growth is due directly to the introduction of new programs and the rising expenditures associated with them.

Table 9-2 outlines the federal share of social security programs operated in Ontario. The major item, the Canada Assistance Plan, funds 50 per cent of provincial expenditures on Family Benefits Allowances and General Welfare Assistance. The growth

FEDERAL GOVERNMENT PAYMENTS IN SUPPORT OF
SOCIAL SECURITY PROGRAMS, ONTARIO, 1970-71 TO 1975-76
(\$ MILLIONS)

Table 9 - 2

	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>Estimated 1975-76</u>
Canada Assistance Plan	175.5	211.2	210.5	207.3	300.0	417.8
Vocational Rehabilitation Agreement	2.7	3.2	4.4	6.9	8.0	12.0
Indian Welfare Services Agreement	3.0	3.3	3.7	4.5	5.1	5.4
Disabled and Blind Persons Allowances Acts	.1	.2	.1	.1	.1	.1
Unemployment Assistance Agreement	.2	.1	-	-	-	-
National Health and Welfare Grants	-	-	.1	.1	-	-
	<u>181.5</u>	<u>218.0</u>	<u>218.8</u>	<u>218.9</u>	<u>313.2</u>	<u>435.3</u>

Sources: Documents prepared by various ministries of the Ontario Government.

for this particular item is 138 per cent over the period, reflecting expansion of the client group and purchasing power increments of benefits since 1966, when the program began. Total federal sharing for programs in Ontario exhibited a comparable growth of 140 per cent over the five-year period.

Table 9-3 places expenditures on social security programs in the perspective of the total budgetary expenditures of the Province. During the period 1970-71 to 1975-76, the proportion of expenditures on the elderly increased by almost 330 per cent relative to total expenditures, indicating the strong preference the Ontario Government has placed on income security for this group. Other expenditures on social security in Ontario have similarly increased in importance. Total relative outlays on income security increased from 9.42 per cent to 15.36 per cent, an overall increase of 63 per cent.

Table 9-4 indicates similar trends at the federal level, but with considerably less emphasis on the elderly. Total payments increased from 14 per cent to 22.7 per cent, representing a 62 per cent increase as compared with Ontario's 63 per cent. The biggest growth items at the federal level were Family Allowances and Unemployment Insurance.

Figure 9-1 plots the growth rates of provincial and federal expenditures on social security to represent a pictorial history. Most interesting are the counteractive growth rates at the two levels of government. When growth rates are high at the federal level, they are low at the provincial level and vice versa. This correlation between expenditure growth at the federal and provincial levels must be

EXPENDITURES ON SOCIAL SECURITY PROGRAMS

AS A PERCENTAGE OF TOTAL BUDGETARY EXPENDITURES, ONTARIO

Table 9 - 3

1970-71 TO 1975-76

	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>Estimated 1975-76</u>
Total Expenditures (\$ Millions)	5,217	6,028	6,481	7,312	8,824	10,324
Elderly	0.91	0.94	2.61	2.63	3.71	3.92
Income Maintenance						
- Provincial Allowances & Benefits	2.35	2.42	2.97	2.91	3.07	3.42
Income Maintenance						
- Support Towards Municipal Costs	1.76	2.00	1.77	1.42	1.37	1.42
Other	4.40	4.28	2.78	5.45	6.78	6.60
Total Income Maintenance and Support Programs	9.42	9.64	10.13	12.41	14.93	15.36
As a Percentage of GPP	1.76	1.90	1.92	2.35	2.65	3.01

Sources: Documents prepared by various ministries of the Ontario Government.

FEDERAL GOVERNMENT PAYMENTS IN SUPPORT OF
SOCIAL SECURITY PROGRAMS AS A PERCENTAGE OF
TOTAL EXPENDITURES, 1970-71 TO 1975-76

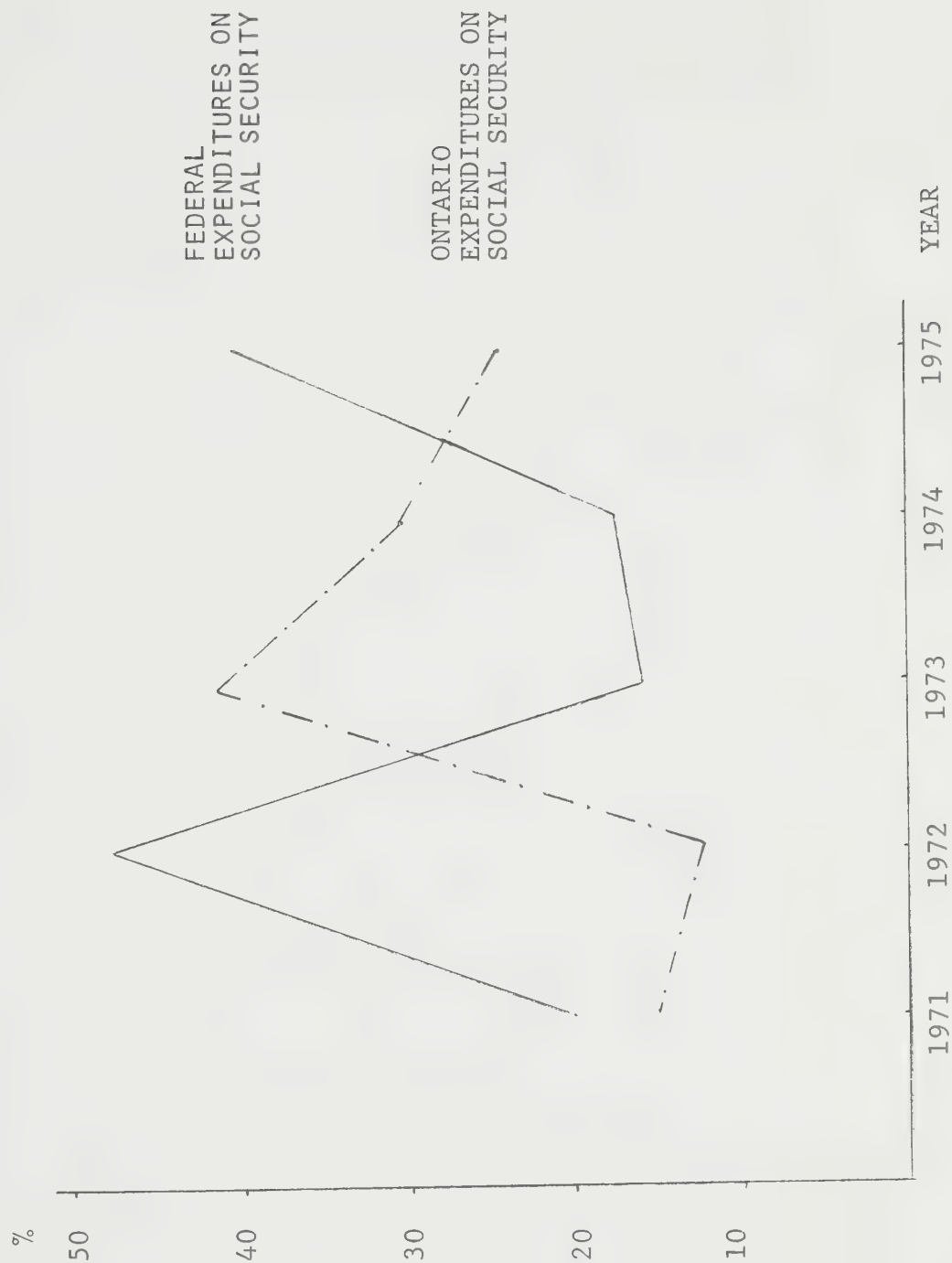
Table 9 - 4

	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Total Budgetary Expenditures (\$ Millions)	13,182	14,841	16,121	20,055	26,054	28,900
Canada Assistance Plan	1.33	1.42	1.31	1.03	1.15	1.45
Unemployment Insurance	5.26	6.04	11.61	9.99	8.11	12.11
Elderly, OAS, GIS, CPP	5.91	6.22	6.52	6.69	6.15	6.57
Family Allowance	1.45	1.29	1.18	1.65	2.44	2.47
Other Payments	0.05	0.05	0.05	0.06	0.50	0.06
Total Payments Regarding Social Security Programs	14.00	15.02	20.67	19.42	18.35	22.66
As a Percentage of GNP	2.14	2.39	3.20	3.22	3.32	4.35

Sources: Documents prepared by various ministries of the Ontario Government.

ANNUAL GROWTH RATE EXPENDITURES
ON SOCIAL SECURITY PROGRAMS,
1971-1975

Figure 9 - 1



Source: Documents prepared by various ministries of the Ontario Government.

taken into account in examining current and future commitments.

Figure 9-2 provides a comprehensive view of social security expenditures made in Ontario by all levels of government in 1974-75. The federal government's direct payments to residents of Ontario totalled \$2,789 million. An additional \$313 million was transferred to Ontario through cost-sharing arrangements, bringing the total federal expenditure in the province to \$3,102 million. Provincial net expenditures were \$1,004 million, including municipal transfers of \$121 million. Net expenditures by the municipalities totaled \$30 million, bringing social security expenditures by all levels of government to \$4,136 million for the entire province.

It is significant that federal expenditures in Ontario exceeded provincial spending by \$2,098 million or 68 per cent, indicating the strong position that the federal government occupies in providing social security in the province.

RATIONALE FOR PROGRAM CHANGES AND NEW INITIATIVES

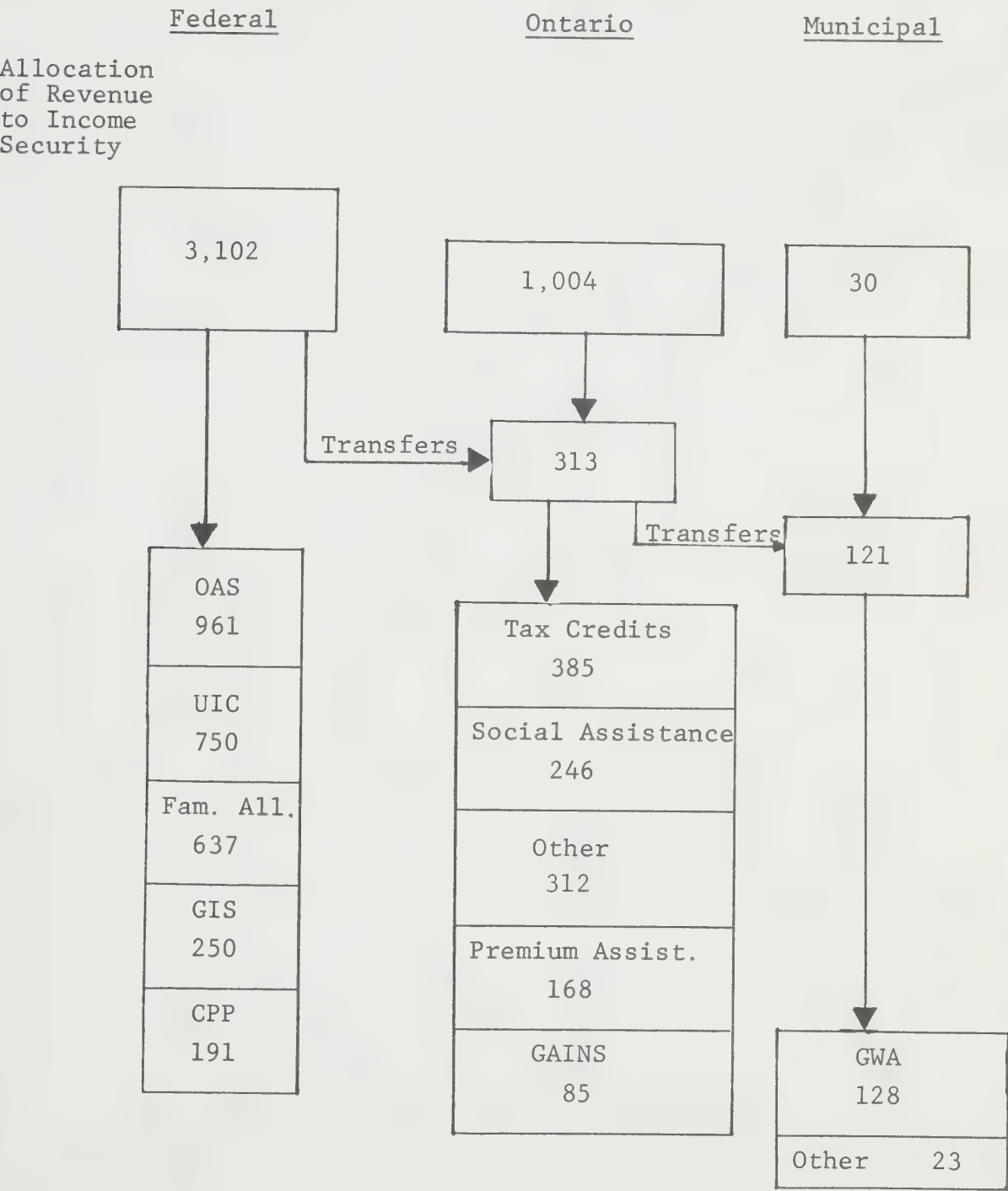
In the past five years, the Ontario Government's programs have resulted in the enrichment of existing programs to alleviate the economic need of target groups previously not covered. These programs are described in the pages that follow.

Existing Programs

General Welfare Assistance (GWA) is a short-term benefit available to individuals who are unable to obtain regular employment or who are temporarily

EXPENDITURES ON SOCIAL SECURITY BY
ALL LEVELS OF GOVERNMENT, ONTARIO,
1974-75
(\$ MILLIONS)

Figure 9 - 2



Source: Estimates prepared by the Ministry of Treasury, Economics and Intergovernmental Affairs.

without a source of income. Thus, persons who are in ill health, elderly persons experiencing delay in receiving Old Age Security (OAS) and Guaranteed Income Supplement (GIS) payments, and mothers with dependent children who qualify for provincial benefits but have not received them can obtain temporary assistance. As the benefit is of a temporary nature, support levels are low and oriented to basic necessities, and applicants must submit to budgetary needs and income testing before assistance is given. GWA is administered by the municipalities, and costs are borne 50 per cent federally, 30 per cent provincially, and 20 per cent municipally.

Family Benefits Assistance (FBA) is an equivalent provincial program geared to the long-term needs of individuals who are either unable or not expected to work - for example, single mothers with children, blind or disabled persons, and permanently unemployable individuals. In addition to budgetary needs testing, liquid asset restrictions determine eligibility for the program. Costs are shared equally by the federal and provincial governments under the Canada Assistance Plan.

Between 1970 and 1975, expenditures on the GWA and FBA programs grew by 47 per cent. There are a number of reasons for this increase:

- Caseloads have increased by 30 per cent, mainly reflecting the inclusion in the programs of larger numbers of mothers with dependent children and more disabled and blind persons.
- The private sector has not come forth with adequate disability and unemployment insurance to

provide benefits to individuals suffering temporary or permanent losses of income. As a result, caseloads for disabled persons have not declined and those for the unemployed have continued to rise with the growth in unemployment.

- Benefit levels have risen. Since 1966, social assistance rates have been increased by 53 per cent to offset an increase of 55 per cent in the Consumer Price Index. While the Ontario Government has not followed a policy of indexing, it has been necessary to introduce repeated increases in allowances to protect the income of recipients from the erosion of inflation.

New Programs

The major impetus of the Ontario Government in the social security field over the past five years has been to provide assistance for the elderly, the disabled and blind, and individuals and families in low-income groups.

Ontario's programs have been structured to meet a set of objectives, including:

- equity in the incidence of tax relief and income support to appropriate target groups;

- selectivity in providing tax relief and income support to appropriate target groups;
- adequacy of income support benefits to these target groups;
- consistency in relationships with other programs;
- efficiency in the delivery mechanisms; and
- incentives for self-reliance, earning capacity, and long-run participation in the labour force.

With these objectives in mind, five new or expanded programs have been implemented in Ontario over the past five years.

Development of the Ontario Tax Credit System was an important initiative for the benefit of all low-income individuals and families. In 1975, this program will deliver \$383 million to 3.2 million persons. The program was devised to provide major relief to low-income families from property and sales taxes according to the principle of ability to pay, which underlies personal income taxation. The income security aspects of credits are of secondary importance.

The Property Tax Credit was established initially in 1970 to provide supplementary tax relief to low-income individuals below a specified personal income tax threshold and provided tax refunds of \$100 or more. The Pensioner Tax Credit, implemented in 1973, expanded the credit system to include a pensioner benefit, and the addition of a Sales Tax Credit in 1973 ensured that all low-income individuals were

protected from the regressivity of the sales tax structure.

Health care is another area to which Ontario has directed essential relief. In 1972, free health insurance premiums were made available to all pensioners aged 65 years and over, and coverage was extended to nursing home and home care services. Since its inception in 1972, the cost of the program has risen by 33 per cent to \$119 million for the current 1975-76 fiscal year, with a comparable caseload increase of 29 per cent.

In 1974, further relief from the cost of health care was provided to low-income pensioners with the introduction of free prescription drugs, at an annual cost to the Province of \$8.5 million. In 1975, this coverage was extended to Ontario's 715,000 pensioners, who now receive an average benefit worth \$59.00. On the basis of use over a nine-month period, it is estimated that the free drug benefit will cost a total of \$34.8 million in 1975-76.

The Guaranteed Annual Income System (Elderly) fulfilled the Ontario Government's intention to provide a minimum income for all pensioners. Beginning in July 1974, the elderly were guaranteed a monthly income of \$216.67 for a single pensioner and \$433.34 for a married couple, with GAINS cheques filling the gap between the guarantee level and an individual's private income and federal OAS/GIS payments. In 18 months of operation, the guarantee level has been raised six times and, effective October 1, 1975, will be \$255.99 per month (an 18 per cent increase since the program was introduced); and the maximum amount of a single cheque has risen from \$24.49 to \$36.03, a substantial increase of 47 per cent. These increases are consistent with the Government's intention to maintain the purchasing power of GAINS benefits without tying increases to the

Consumer Price Index (which has risen by 14.5 per cent since July 1974).

GAINS program costs for the current fiscal year are estimated at \$106.2 million, an increase over the previous fiscal costs of \$60.8 million expended during a nine-month period.

The GAINS (Disabled) program has corrected a major anomaly in the social security system by establishing parity between benefit levels for disabled and blind persons and retired individuals. Beginning in July 1974, a clientele of 38,000 was assured a monthly benefit of \$216.67; and by October 1975, the new guarantee of \$250.00 will bring the percentage increase in benefits to 15 per cent since the program was introduced.

Costs for the 1974-75 fiscal year, based on a nine-month period, were relatively low at \$23.7 million. Current year expenditures for a 12-month period will rise to \$44.4 million as a result of increased benefits and a higher caseload of 43,000.

At the federal-provincial level, Ontario has laid the foundation of its long-run strategy to improve retirement incomes through the Canada Pension Plan (CPP). During recent negotiations to amend the Plan, Ontario advanced a number of specific proposals to increase earnings-related retirement pensions relative to income support levels, escalate benefit levels with changes in the Consumer Price Index, and increase earnings ceilings. These changes were made to ensure adequate benefits to recipients when they reach retirement age. As well, the earnings test on retirement benefits was abolished and equal treatment of men and women became a provision of the Plan. For the longer-term impact, Ontario has continued to press for proposals that increase the incentive for

individuals to remain in the labour force and actively save for their retirement.

The foregoing description of recently implemented programs illustrates the Ontario Government's interest in meeting the basic needs of individuals living on fixed or low incomes. Direct transfer payments to persons earning little or no income have provided the only suitable short-term alternative to inflation and unemployment. Furthermore, assistance to pensioners living on fixed incomes has enabled them to reverse, to some extent, the impact of economic conditions that have adversely affected their ability to save since the Depression and the Second World War.

PROBLEMS ASSOCIATED WITH PROGRAMS

Such issues as indexing the taxation system, the integration of social security programs, and competition in benefit levels between provinces have created problems in the social security network. The close interrelationships inherent in the operation of federal, provincial, and municipal social security programs affect the options for assistance that are available to the Province. Table 9-5 illustrates the extent to which federal decisions can influence provincial programs.

In implementing staged reductions in the lowest marginal tax bracket, followed by overall tax reductions of 3 per cent in 1971, 5 per cent in 1973, and 8 per cent for the current taxation year, the federal government removed many low-income people from the tax rolls. A provincial decision to exempt these individuals from payment of provincial income tax as well incurred costs totalling \$27 million. In addition to a \$11 million tax revenue loss, a further \$10 million

IMPACT OF FEDERAL TAX REDUCTION
PARALLELED BY ONTARIO
(\$ MILLIONS)

Table 9 - 5

	<u>Annual Cost</u>
8 per cent federal income tax reduction represents individual average provincial tax reduction to \$61.00 annually	\$ 11.0
Taxable income offset from maintaining level of tax credit	\$ 10.0
OHIP premium assistance resulting from elimination of taxable income	\$ 6.0
	<hr/>
TOTAL IMPACT IN ONTARIO	\$ 27.0

cost was realized because taxable income offsets were lower for the tax credit system. Finally, OHIP premium assistance to individuals deemed to have no taxable income increased costs by an additional \$6 million.

Federal-provincial programs are interrelated to the extent that provincial options must continually be re-evaluated in the light of developing federal programs to ensure that provincial objectives are being maintained. For example, federal indexing of OAS/GIS payments necessitates quarterly provincial decisions relating to the GAINS (Elderly) program. Under the present legislation, OAS/GIS increases signify a drop in provincial GAINS cheques, a result that contradicts Ontario's intention to maintain an adequate standard of living for senior citizens. Because of the structure of the federal program, simply allowing these increases to flow through to the recipients results in additional costs to the Province. The federal GIS rate is not doubled for married couples; and the Province, in its belief that "two cannot necessarily live as cheaply as one", ensures that the difference in payments is eliminated at the GAINS level. Similarly, additional costs are incurred for new Canadians ineligible for OAS/GIS payments, who must receive the federal benefit from the Province in order that parity between benefit levels for the entire age group will be maintained. Once guarantee levels are thus raised, pressure is exerted to extend these increases to the disabled and blind, family benefit and general welfare recipients, as well as other recipients of transfer payments. In other words, quarterly indexing of OAS/GIS imposes continuing pressure on benefit levels for all individuals receiving provincial assistance.

Further problems arise from the integration of programs, and a particular example is provided by the Canada Pension Plan. It is interesting to compare the retirement income levels of individuals who have a private income with those of retired persons who rely entirely on support from social security. A single individual at the maximum CPP level of \$132.71 can receive \$286.67 monthly, including OAS/GIS, an increase of 11 per cent over the GAINS guarantee of \$255.99 assured to all pensioners irrespective of their income. A married couple, however, is not better off by contributing to CPP. Payments will rise as the Canada Pension Plan matures, but individuals presently drawing benefits are experiencing no reward for having saved during their lifetime in relation to those who have not worked or have saved very little during their younger years.

Competition among provinces is another factor that raises the cost of programs. Table 9-6 compares guaranteed income levels, by province, for single pensioners and illustrates the established trends in benefits that have prevailed since 1972, when MINCOME was introduced by British Columbia. The data show that since July 1974, Ontario has increased its guarantee by 18.1 per cent, Manitoba by 13.8 per cent, Alberta by 31.0 per cent, and British Columbia by 12.5 per cent. With the exception of Alberta, Ontario's lead has been strong and constant, and the relative timing of increases indicates that strong political influences can be exerted to spiral benefits upwards.

IMPACT OF PROGRAMS IN ONTARIO

The impact of new programs on the relative welfare of Ontario's working and non-working poor has

COMPARISON OF GUARANTEED ANNUAL INCOME
LEVELS FOR SINGLE PENSIONERS, BY
PROVINCE, 1972-1975

Table 9 - 6

<u>DATE</u>	<u>FEDERAL OAS/GIS</u>	<u>ONTARIO</u>	<u>MANITOBA</u>	<u>ALBERTA</u>	<u>BRITISH COLUMBIA</u>
April 1, 1972	\$150.00				\$200.00
April 1, 1973	170.14				200.00
Oct. 1, 1973	179.16			\$189.16	209.02
Jan. 1, 1974	183.99			193.19	213.85
April 1, 1974	187.31			197.31	217.17
July 1, 1974	192.18	\$216.67	\$200.00	202.18	222.04
Oct. 1, 1974	199.10	225.00	206.92	209.18	228.96
Jan. 1, 1975	204.27	230.50	212.09	214.27	234.13
April 1, 1975	209.99	236.22	217.81	219.99	239.85
May 1, 1975	209.99	240.00	217.81	219.99	239.85
July 1, 1975	213.97	243.98	221.79	255.00	243.83
Oct. 1, 1975	216.96	255.99	227.78	264.97	249.82

Sources: Documents prepared by various ministries of the
federal and provincial governments.

been to hold down poverty levels in the province, as is indicated by Table 9-7. While working low-income family units account for 4.0 per cent of total family units in Ontario, the corresponding Canadian figure is 5.7 per cent. Furthermore, non-working family units in Ontario account for 10.4 per cent of the total, while the comparable Canadian level is 12.8 per cent.

It has been pointed out that the rationale for Ontario's social security programs has been to assist individuals living on fixed incomes and those earning little or no income. Computer estimates to measure the success that has been achieved in closing the poverty gap of \$773 million indicate that provincial transfer payments have reduced it by 41 per cent. To close the gap, additional transfers of \$450 million would be required. As the total provincial expenditure on social security programs is \$1,196 million at present, a significant reordering of spending priorities would be necessary if a decision were made to raise all of Ontario's residents above the poverty line.

FUTURE DIRECTIONS OF SOCIAL SECURITY

Social Security Review

In April, 1973, a joint Federal-Provincial Social Security Review was initiated with a view to developing a more effective and better coordinated system of social security in Canada. Studies are presently under way to determine ways and means of directly supplementing the incomes of the working poor to encourage active participation in the labour force and to establish an equitable relationship between the incomes of those who work and satisfactory income support levels for those who do not work.

	Poverty Line in Ontario 1975	Low-Income Family Units	Percentage of Total Family Units	Low-Income Family Units	Percentage Total Family Units
	(\$)	(No.)	(%)	(No.)	(%)
A. WORKING					
(1)	Single Individual (Aged 16-24)	3,300	21,400	0.6	0.6
(2)	Other Single Individuals	3,300	35,600	1.1	1.3
(3)	Married Couples	5,300	14,800	0.4	0.6
(4)	Married Couples with Children		46,800	1.4	2.5
	Married Couple, 1 dependant	6,300			
	Married Couple, 2 dependants	7,000			
	Married Couple, 3 dependants	7,700			
	Married Couple, 4 dependants	8,400			
	Married Couple, 5 dependants	9,100			
	Married Couple, 6 dependants	9,800			
(5)	Single-Parent Families		16,300	0.5	0.7
			134,900	4.0	5.7
B. NON-WORKING					
(6)	Units where Head is Permanently Unable to Work		20,500	0.6	0.9
(7)	Single-Parent Families, Head Keeping House		41,600	1.3	1.3
(8)	Single Individuals, Aged 16-24 Other than those in (6)		62,100	1.9	2.1
(9)	Single Individuals, Aged 25-64 Other than those in (6)		57,500	1.7	1.9
(10)	Married Couples with or without Children, Other than those in (6)		22,000	0.7	0.7
(11)	Other Single-Parent Families		5,700	0.2	0.1
	TOTAL NON-WORKING		209,400	6.4	7.0
	GRAND TOTAL		344,300	10.4	12.8

Source: PROGRES: Ontario Ministry of Treasury, Computer Simulation Model.

Crucial to any such reform of the social security system is the need to provide incentives to work by making those individuals who work relatively better off than those who are able but choose not to work. Many other factors also will need to be reflected in benefit structures to provide consistent yet equitable objectives.

Social Insurance

Social insurance is gaining acceptance as an effective vehicle for providing a first line of defence for income security. It has many advantages over traditional transfer programs. Since social insurance plans are generally self-financing, governments do not become involved in maintaining costly programs. For contributors, premiums are regarded as savings from which a flow of income is generated if some contingency arises. Benefits are generally related to earnings, thereby minimizing subsidies and outright transfers. The most obvious benefit from social insurance is that an individual must work to be entitled to benefits. Thus, instead of overwhelming government with transfer programs that diminish the incentive to work, social insurance has the reverse effect.

Now that Ontario has provided assistance to solve short-term income security problems, the focus over the long term should shift to social insurance. Income support programs will not disappear entirely, since there will always be some individuals who need them, but they should decline in importance as the population becomes more self-reliant through its own savings.

MEANS OF IMPROVING THE SYSTEM

The structure of social security programs implemented during the past five years, at both the provincial and the federal levels, clearly indicates that there has been no attempt to incorporate an incentive to work into these programs. This has been especially true at the federal level with respect to changes in the Unemployment Insurance Act introduced in 1971. We are deeply concerned about the implications of this movement away from the work ethic. Accordingly, the Committee recommends that:

- 9.1 SOCIAL SECURITY PROGRAMS AT THE PROVINCIAL LEVEL INCLUDE INCENTIVES TO WORK AND THE GOVERNMENT OF ONTARIO ENDEAVOUR, WHENEVER POSSIBLE, TO PERSUADE THE FEDERAL GOVERNMENT TO ADOPT THE SAME PRINCIPLE.

Ontario has initiated several new programs over the last five years to accommodate the areas of most acute need, and it is apparent that the emphasis on costly transfer programs should not be reduced. Since the proportion of elderly in the total population is increasing rapidly, more inexpensive program mechanisms should be examined. One possible alternative is social insurance, which is self-financed through contributions. This approach has the advantage of providing incentives to work, since benefits received are related to earnings; in addition, contributions are viewed as savings by participants in such plans.

The Committee recommends that:

9.2 FUTURE SOCIAL SECURITY
INITIATIVES UTILIZE SELF-
FINANCING MECHANISMS SUCH
AS SOCIAL INSURANCE TO
LOWER SOCIAL SECURITY COSTS
AND MAINTAIN INCENTIVES TO
WORK.

We are concerned about the domino effect of implementing new programs or raising benefit levels in existing ones. History has shown the frequent dislocations that occur when a new program is introduced without regard for its impact on other programs. Not only is the new program an addition to overall expenditures, but also the realignment in benefit levels in existing programs adds to expenditures.

The Committee recommends that:

9.3 FUTURE PROGRAMS BE CAREFULLY
COORDINATED AND INTEGRATED
WITH EXISTING PROGRAMS AND,
WHERE POSSIBLE, BE FINANCED
THROUGH SAVINGS GENERATED
FROM EXISTING PROGRAMS.

Selectivity of target groups is another important issue in developing a social security system. For example, two programs - the Drug Benefit Program and full OHIP premium assistance - are universally accessible to the elderly, although many can adequately afford to pay for health services. Cost savings could be realized if benefits were awarded on the basis of income testing. It should, however, be remembered that when these programs were first

introduced, they were essentially income tested. The problem occurred for those at the margin who had one extra dollar of income and thus were not entitled to these benefits. In the case of a chronically ill individual, this caused a large and inequitable drop in implicit income. It was to resolve such inequities that universal access was provided.

Since restraints on spending are a high priority, the Committee recommends that:

9.4 SELECTIVITY OF TARGET GROUPS
BE IMPROVED THROUGH THE
APPLICATION OF MORE STRINGENT
ELIGIBILITY CRITERIA TO
PREVENT PAYMENT OF BENEFITS
TO INDIVIDUALS WHO DO NOT
NEED THEM.

With respect to total expenditures on social security, we do not feel that the Province should continue to finance an average annual growth rate in expenditures of over 26 per cent, as it has in the past. A lower growth rate would generate considerable savings. For example, reducing the current average growth rate to an average annual rate of 15 per cent would realize savings of about \$130 million in 1976-77.

It is clear that the present growth rate in this area of expenditure cannot continue, since it greatly exceeds the current rate of growth in the provincial economy. There must be a more realistic matching of social security benefits with Ontario's ability to pay for them. The Committee therefore

recommends that:

9.5 THE PROPORTION OF THE
PROVINCIAL BUDGET THAT IS
ALLOCATED TO SOCIAL
SECURITY BE LOWERED FROM
ITS PRESENT LEVEL.

The federal government controls manpower and employment policy, as well as the distribution of benefits to the unemployed through the Unemployment Insurance Plan. At the same time, the municipalities in Ontario operate the General Welfare Assistance program, which in addition to unemployable persons encompasses employable persons who are unemployed. In most instances, the size of the unemployed caseload served by the GWA program is determined by federal policies. Ontario could save approximately \$25 million in 1975-76 if it excluded these individuals from the GWA program while continuing to service unemployable persons.

Accordingly, the Committee recommends that:

9.6 RESPONSIBILITY FOR UNEMPLOYED
PERSONS RECEIVING GENERAL
WELFARE ASSISTANCE BE
TRANSFERRED TO THE FEDERAL
GOVERNMENT.

Because of the diversity of eligibility criteria, clientele, and services offered, the administration of social security programs is currently scattered through many ministries. A central filing and benefit payments system could result in significant economies of scale. For

example, at present the GAINS (Elderly) program is administered by the Ministry of Revenue, and the Drug Benefit Plan and OHIP premium subsidies for the elderly are administered by the Ministry of Health. Economies could be realized by the integration of administrative machinery, especially as these programs have virtually the same target group. Similarly, an integrated public relations information system much like that operating in the Ministry of Revenue for Tax Credits, GAINS (Elderly), and the Ontario Homebuyers Grant could result in lower costs.

The Committee recommends that:

- 9.7 TO THE EXTENT THAT SIGNIFICANT SAVINGS CAN BE MADE, THE ADMINISTRATION OF SOCIAL SECURITY PROGRAMS BE INTEGRATED INTO ONE CENTRAL UNIT,

CHAPTER 10

LOCAL GOVERNMENT ORGANIZATION AND FINANCIAL ASSISTANCE

This chapter deals with the expenditures and financing of municipalities and school boards in Ontario. It is estimated that their total expenditures in 1975 will be \$6.0 billion, \$2.8 billion of which will be financed by provincial grants.

RATIONALE FOR REGIONAL GOVERNMENT

In the 1950s and 1960s, it became apparent to both the provincial and municipal governments in Ontario that the existing institutional framework for local government was not appropriate to deal with the increasing pressures of population growth and urbanization. The problems included:

- rapid increases in the demand for services;
- the existence of a multitude of small local government units with no capacity to solve common problems;
- technical inability to deliver services;
- competition for assessment;
- frequent annexations;
- uncoordinated planning;
- unclear accountability; and
- scarcity of financial resources to solve problems.

If these problems were to be resolved, and by local government rather than by Queen's Park, the structure of local government and the allocation of responsibilities had to change.'

The creation of Metropolitan Toronto in 1954 was the first major step in local government reform in Ontario after the Second World War. Its structure has since been modified from the original plan. Since January 1969, 10 additional regional municipalities and one district municipality have been established. These regional municipalities, along with Metropolitan Toronto, now contain more than 60 per cent of Ontario's population.

The success of Metropolitan Toronto in coping with the massive growth in its area is well recognized. A Royal Commission is now carrying out a comprehensive review of Metropolitan Toronto and its municipalities to determine whether or not further changes are necessary.

The regions created since 1969 cannot be expected to have fully realized their potential in such a short period, but we note the following advances that have been made to date:

- People in the restructured areas are viewing their communities within a broader regional or provincial context.
- Official plans are being developed for large interdependent areas.
- The planning and construction of major projects, such as sewage and water facilities, are being coordinated.

- Essential public services are being improved and expanded, especially police, fire, transportation, and sewage and water systems.
- Local government has assumed greater responsibility for planning, police and social services.

To ensure that the established regional governments are able to solve the problems confronting them, studies have been commenced in the two oldest units, Ottawa-Carleton and Niagara, as in Metropolitan Toronto. In view of the substantial costs associated with regional government, which are detailed in the next section, these studies must include a thorough examination of existing financial structures and their implications for current expenditure levels and the potential for future economies.

REVIEW OF REGIONAL GOVERNMENT FINANCING

We have examined current trends in spending, property taxation, and provincial transfer payments in the regionalized areas. Table 10-1 shows that the regional areas have exhibited high rates of growth in residential and commercial taxation to support their increased spending, despite a large underpinning of provincial financial support. Spending in Metropolitan Toronto also has increased at a high rate, but it has been able to finance this increase from its fast-growing commercial and industrial base. The non-regional areas of the province have exhibited lower spending and taxation activities over the past

TRENDS IN SPENDING AND FINANCING
AMONG ONTARIO MUNICIPALITIES,
1970-1974 (PER CENT)

Table 10 - 1

Regions	Increase in Municipal Spending ¹	Increase in Residential Taxation	Increase in Commercial Taxation	Increase in Average Residential Tax	Increase in Provincial Transfers ²
Metropolitan Toronto	85.1%	52.3%	52.5%	28.0%	138.8%
Rest of the Province	61.6	32.1	38.1	15.8	108.0
	54.0	23.4	43.6	7.7	98.1

¹Municipal spending equals the sum of current plus capital account spending.

²Provincial transfers are drawn from the Consolidated Revenue Fund, except in the case of grants, which are unconditional and may be used for capital purposes.

Source: Municipal financial reports.

four years.

Several factors explain the financial performance of the newly regionalized areas:

- accumulation of a backlog of spending requirements in anticipation of reorganization or restructuring;
- failure by area municipalities to reduce staff after the responsibility for all or part of certain municipal government services was transferred to an upper-tier¹ jurisdiction;
- substantial increases in salaries, particularly senior administrative at the lower-tier level,² despite reduced responsibilities;
- running down of financial assets (reserves and surpluses) by municipalities before restructuring took place, necessitating subsequent increases in levies to replenish reserves and working capital;
- accelerated spending on services such as recreation, which remained at the lower-tier level; and
- leverage effects on local spending of provincial programs and grants in such areas as environment, recreation, and transportation.

Each of these factors is examined in detail below.

¹The upper-tier is the regional municipality or the restructured county.

²The lower-tier is a city, town or township within a regional municipality or restructured county.

Spending Backlog

Municipalities that were about to become part of a regional government or amalgamate with neighbouring municipalities generally reduced their spending before the reorganization or restructuring took place. This practice occurred most often with respect to services that were to be transferred to the upper tier of the new structure and encompassed within a large-scale operation. For example, a city might have required an improved police communications system before implementation of regional government; but in anticipation of the restructuring, it elected not to install this new system, because police services would become part of a larger regional service requiring a single communications network. Similar considerations have affected spending in other areas, most notably sewage and water services.

In the years immediately following restructuring, the financial performance of regional governments reflects the catch-up expenditures required on police, roads, garbage, and social services. Thus, regionalization in itself is not entirely responsible for the rapid increases that have occurred in spending by upper tiers. As Table 10-2 shows, another effect of reorganization is that lower-tier governments have adjusted their spending priorities to emphasize recreation and general government, because they have retained responsibility for these functions.

Staff Increases

Table 10-3 shows the increases in staff that occurred in newly established regions between 1970 and 1974. The data indicate a huge growth in complement for the new upper-tier jurisdictions but no corresponding

REVENUE FUND SPENDING PER HOUSEHOLD
IN REGIONS DURING TRANSITION
(DOLLARS PER HOUSEHOLD)

Table 10 - 2

		Two Years Before Restructuring	Year Before Restruc- turing	Year of Restruc- turing	Year After Restruc- turing
General	LT	\$ 43	\$ 49	\$ 56	\$ 65
Government	UT	3	3	18	24
	TOTAL	<u>46</u>	<u>52</u>	<u>74</u>	<u>89</u>
Fire	LT	43	51	54	62
	UT	-	-	-	-
	TOTAL	<u>43</u>	<u>51</u>	<u>54</u>	<u>62</u>
Police	LT	65	70	-	-
	UT	-	-	88	98
	TOTAL	<u>65</u>	<u>70</u>	<u>88</u>	<u>98</u>
Roadways	LT	91	89	89	99
	UT	15	14	32	32
	TOTAL	<u>106</u>	<u>103</u>	<u>121</u>	<u>131</u>
Drainage (Storm Sewers)	LT	10	11	10	11
	UT	-	-	-	1
	TOTAL	<u>10</u>	<u>11</u>	<u>10</u>	<u>12</u>
Sanitary Sewers	LT	49	45	5	5
	UT	-	-	49	53
	TOTAL	<u>49</u>	<u>45</u>	<u>54</u>	<u>58</u>
Garbage	LT	21	23	15	15
	UT	-	-	16	15
	TOTAL	<u>21</u>	<u>23</u>	<u>31</u>	<u>30</u>
Social Services	LT	78	77	7	7
	UT	13	15	102	113
	TOTAL	<u>91</u>	<u>92</u>	<u>109</u>	<u>120</u>
Recreation	LT	68	82	98	116
	UT	1	1	3	4
	TOTAL	<u>69</u>	<u>83</u>	<u>101</u>	<u>120</u>
Planning	LT	15	14	14	12
	UT	1	1	5	9
	TOTAL	<u>16</u>	<u>15</u>	<u>19</u>	<u>21</u>
Other ¹	LT	92	97	104	111
	UT	12	13	44	68
	TOTAL	<u>104</u>	<u>110</u>	<u>148</u>	<u>179</u>
Total General	LT	575	608	452	503
Municipal	UT	45	47	357	417
Activities	TOTAL	<u>620</u>	<u>655</u>	<u>809</u>	<u>920</u>

LT - Lower Tier; UT - Upper Tier

¹ Includes contribution to municipal enterprises (transit, waterworks), financial, health, parking, and unclassified expenditures.

Source: Municipal financial reports.

COMPARISON OF MUNICIPAL STAFF
COMPLEMENTS,¹ 1970 AND 1974

Table 10 - 3

	<u>1970</u>	<u>1974</u>	<u>Percentage Change</u>
Regions - Upper tier	3,316	12,549	278.4%
- Lower tier	<u>14,745</u>	<u>15,190</u>	<u>3.0</u>
Subtotal ²	18,061	27,739	53.6
Rest of the Province (including Metropolitan Toronto)	58,639	67,261	14.7
Total	76,700	95,000	23.8

¹Because records of casual and part-time employees are incomplete, data for the two years selected may not always be comparable.

²Totals for regions and upper-tier data exclude Sudbury and Muskoka, which incorporated previously unorganized territories. Comparable increases for these two areas combined were 248 per cent for upper tier, 1.8 per cent for lower tier, and a total of 49.4 per cent.

Source: Ministry of Treasury, Economics and Intergovernmental Affairs.

decrease at the lower-tier level. They also show a much higher increase for regional governments in total than for the rest of the province.

Salary and Wage Increases

Table 10-4 shows average percentage increases in salaries and wages for selected positions in a sample of regions and area municipalities not affected by reorganization. The rate of increase of reimbursement is generally greater in lower-tier municipalities than in either upper-tier municipalities or the rest of the province. Upper tiers compare favourably with the rest of the province, except in the case of police salaries.

Table 10-5 shows changes in salaries for senior administrators for the year before and the year after restructuring at the upper and lower tiers, for a sample of reorganized municipalities. The outstanding features are the creation of new senior staff specialist positions at the upper-tier levels and large increases in salaries for positions that existed before regional government. For example, while inside workers received average increases of 6.0 per cent after regional government was introduced (see Table 10-4), employees in clerk and treasurer positions were awarded increases of 33.4 per cent and 58.8 per cent respectively.

At the lower-tier level, salaries for senior administrators tended to increase at a comparable rate to that for inside workers. Commissioner of public works and treasurer positions exhibited salary increases below the average for inside workers.

AVERAGE ANNUAL SALARY AND WAGE

INCREASES FOR STAFF IN SELECTED CATEGORIES,
SELECTED REGIONS AND AREA MUNICIPALITIES

Table 10 - 4

		<u>Percentage Change</u>
Inside Workers (Clerical)	- Regions	6.0 %
	- Area Municipalities	7.6
	- Rest of Province	6.25
Outside Workers (Labourer)	- Regions	6.0
	- Area Municipalities	8.6
	- Rest of Province	10.9
Firemen	- Area Municipalities within Regions	15.1
	- Rest of Province	11.4
Policemen	- Regions	11.3
	- Rest of Province	

Source: Ministry of Labour.

COMPARISON OF SENIOR ADMINISTRATIVE
STAFF SALARIES BEFORE AND AFTER RESTRUCTURING, Table 10 - 5
SELECTED REGIONS AND AREA MUNICIPALITIES

	<u>Year Before Restructuring</u>	<u>Year After Restructuring</u>	<u>Percentage Change</u>
<u>Region/County</u>			
Chief Administrative Officer	None	\$33,400	-
Planning Commissioner	None	25,000	-
Commissioner of Public Works/County Engineer	\$20,570	27,500	33.6%
Treasurer	17,000	27,000	58.8
Clerk	16,000	21,350	33.4
Director of Personnel	15,658	21,500	37.3
Solicitor	None	27,450	-
<u>Area Municipalities</u>			
Chief Administrative Officer	None	None	-
Planning Commissioner	19,777	22,050	11.5
Commission of Public Works/ City or Town Engineer	23,577	24,741	4.9
Treasurer	22,092	24,517	11.0
Clerk	20,212	21,116	4.5
Director of Personnel	N/A	N/A	
Solicitor	18,838	26,687	41.7

Source: Ministry of Treasury, Economics and Intergovernmental Affairs.

Depletion of Financial Assets

Table 10-6 shows the changes in reserve funds, reserves, and surpluses or deficits for a sample of four regions and their area municipalities for the year before and the year in which regional government was introduced. Generally, reserve funds and surpluses were run down in the year before regionalization; consequently, governments were faced with the task of rebuilding these assets.

Table 10-7 shows comparable data for reserves, reserve funds, and surpluses on a per household basis. Total reserve funds and reserves per household for the area municipalities actually declined in the year before regional government was introduced. In the year of restructuring, there were substantial increases.

The effect of depleting these financial assets, as well as physical assets, is obvious. Property taxes remain stable or decline before introduction of regional government, only to rise considerably after to permit replacement of the assets.

Lower-tier Expenditure Increases

Lower-tier municipalities dramatically increased their spending on their remaining functions after transferring major services such as police, sewage and water, main arterial roads, and social services to the upper tier. Table 10-2 clearly demonstrates this substitution effect, particularly in the areas of general government and recreation, as noted earlier. This rapid escalation in spending accounts, in part, for the apparently high property tax increases that have occurred immediately after regionalization.

CHANGES IN RESERVES, RESERVE FUNDS, AND SURPLUSES OR
 DEFICITS BEFORE AND AFTER RESTRUCTURING,
 SELECTED REGIONS AND AREA MUNICIPALITIES
 (\$ THOUSANDS)

Table 10 - 6

		<u>Year Before Restructuring</u>	<u>Year of Restructuring</u>
Reserve Funds	LT	\$1,106	\$-12,522
	UT	46	16,932
	TOTAL	<u>1,152</u>	<u>4,410</u>
Reserve	LT	990	2,006
	UT	<u>-52</u>	<u>5,800</u>
	TOTAL	<u>938</u>	<u>7,806</u>
Total Reserve Funds and Reserves	LT	2,096	-10,516
	UT	<u>- 6</u>	<u>22,732</u>
	TOTAL	<u>2,090</u>	<u>12,216</u>
Surplus or Deficit	LT	2,502	- 1,497
	UT	<u>6</u>	<u>2,547</u>
	TOTAL	<u>2,508</u>	<u>1,050</u>

LT - Lower Tier
 UT - Upper Tier

Source: Municipal financial reports.

YEAR-END BALANCE OF RESERVES, RESERVE
 FUNDS, AND SURPLUSES BEFORE AND AFTER
 RESTRUCTURING, SELECTED REGIONS AND
 AREA MUNICIPALITIES
 (DOLLARS PER HOUSEHOLD)

Table 10 - 7

		Two Years Before <u>Restructuring</u>	Year Before <u>Restructuring</u>	Year of <u>Restructuring</u>
Reserve Funds	LT	\$ 134.8	\$ 131.1	\$ 90.5
	UT	0.2	0.3	46.1
	TOTAL	<u>135.0</u>	<u>131.4</u>	<u>136.6</u>
Reserves	LT	30.6	31.8	35.6
	UT	0.4	0.3	16.0
	TOTAL	<u>31.0</u>	<u>32.1</u>	<u>51.6</u>
Total Reserve	LT	165.4	162.9	126.1
Funds and	UT	0.6	0.6	62.1
Reserves	TOTAL	<u>166.0</u>	<u>163.5</u>	<u>188.2</u>
Surplus	LT	28.9	34.6	28.8
	UT	1.6	1.5	8.4
	TOTAL	<u>30.5</u>	<u>36.1</u>	<u>37.2</u>

LT - Lower Tier
 UT - Upper Tier

Source: Municipal financial reports.

Leverage Effects

Increases in spending by regional governments are often associated with the availability of funds through provincial programs and grants. Prime examples are capital grants for recreation, capital and operating grants for sewage and water systems, and road and transit grants. Moreover, with respect to sewage systems, pollution control standards set and imposed by the Province also require substantial additional spending.

While many of these expenditures are desirable and necessary, they often would not have occurred in the absence of the regional government structure. It appears that the creation of regional governments has encouraged provincial ministries to promote municipal spending in response to the new technical and administrative capacity that now exists at the local level, rather than to actual needs.

PROPOSALS FOR FUTURE PLANNING

The restructuring of local government may be considered worthwhile insofar as it has established administrative units with the capacity to contend effectively with the problems of rapid urbanization. The costs of these units, however, have grown much too quickly in relation to the ability of the provincial economy to support current spending levels. In view of the substantial contribution of local government spending in Ontario, the Committee recommends that:

- 10.1 FURTHER INTRODUCTION OF REGIONAL GOVERNMENTS OR RESTRUCTURED COUNTIES BE POSTPONED.

- 10.2 IF, IN THE FUTURE, IT IS DECIDED THAT ADDITIONAL RESTRUCTURING SHOULD OCCUR, A PRIME PREREQUISITE BE THE ACHIEVEMENT OF COST SAVINGS RATHER THAN THE EXPANSION OF SERVICES.
- 10.3 IF FUTURE LOCAL GOVERNMENT REORGANIZATIONS BECOME NECESSARY, THE INITIATIVE FOR REORGANIZATION REST ENTIRELY AT THE LOCAL LEVEL OF GOVERNMENT.
- 10.4 PRESENT SPECIAL AND TRANSITIONAL FINANCIAL ASSISTANCE TO REGIONAL GOVERNMENTS NOT BE INCREASED OR EXTENDED, SO THAT NEW REGIONS WILL BE REQUIRED TO ASSUME FULL RESPONSIBILITY FOR THEIR FUTURE EXPENDITURE DECISIONS.

Finally, because considerable savings could be realized by stretching out service improvements and eliminating duplication between upper and lower tiers, the Committee recommends that:

- 10.5 EXISTING REGIONAL GOVERNMENTS AND RESTRUCTURED COUNTIES CAREFULLY RE-EXAMINE THEIR EXPENDITURES AND THEIR INTENTIONS REGARDING FUTURE EXPANSION OF SERVICE.

10.6 THE PROVINCE STRENGTHEN
ITS AUDIT AND DISCLOSURE
REQUIREMENTS UPON LOCAL
GOVERNMENT TO ENSURE
THAT PROVINCIAL AND LOCAL
TAXPAYERS GET FULL VALUE
FOR THEIR MONEY.

FINANCIAL ASSISTANCE TO LOCAL GOVERNMENT

The structure of local government clearly has an important impact on expenditure patterns. A second and equally significant influence is the procedure whereby the Province provides financial assistance to municipalities. In this section, we review existing arrangements and put forward our suggestions for their rationalization, with a view to controlling the growth of local spending.

Overview of Present Arrangements

In recent years, total provincial transfers to local government have been provided through a global budgeting system known as the Edmonton Commitment. Under this system, transfers grow at the same rate as provincial revenues, thereby guaranteeing local governments a source of financing with a growth capacity superior to their own 'account revenue' sources, principally property taxation.

Despite this underpinning of provincial financial support, local government finance is under strain because of rapidly escalating spending by school boards and municipalities. Indications are that for 1976-77, local spending could generate demands for provincial financial participation in the order of almost \$3.5 billion, or about \$500 million in excess of the level of provincial transfers defined

by the Edmonton Commitment (see Table 10-8).

By far the greatest pressure for increases is emanating from the education system. Recently, teachers' negotiated salary settlements have been running in excess of 25 per cent. Under these conditions, the ceilings have become ineffective and provincial grants are increasingly determined by local spending pressures. This arrangement could generate claims for additional provincial funding of school board spending in 1976-77 of about \$473 million. By gradually raising its support rate to 60 per cent by 1973 and subsequently maintaining this level and enriching unconditional grants, the Province has insulated local taxpayers from the impact of rising education costs. For example, the real burden of education taxes per household in 1975 was kept below the 1970 level, although spending had risen by 65 per cent. Current trends are, however, rapidly eroding these past gains in reduced property tax burdens. More important, this practice of insulation has allowed local authorities to make major spending decisions with a minimum of accountability for their financial impact.

The Edmonton Commitment

Under the Edmonton Commitment, local governments are guaranteed a long-term growth rate of at least 10 - 11 per cent for their largest source of revenue. In comparison, the natural growth rate of the property tax is only 4 - 5 per cent. Total transfers already significantly exceed property taxation as a revenue source, representing almost 50 per cent of total local revenue. As a result, the Edmonton Commitment has much improved the growth potential of total local revenue.

DEMAND FOR PROVINCIAL TRANSFERS,
1975-76 PROJECTED TO 1976-77
(\$ MILLIONS AND PERCENTAGE INCREASE)

Table 10 - 8

<u>Transfers</u>	<u>1975-76 Base</u>	<u>Projected Growth Rate in Spending</u>	<u>Potential Transfers in 1976-77</u>	<u>Increase in 1976-77</u>
Education Grants	\$1,564	25%	\$2,037 ¹	\$ 473
Other Conditional Grants	933	15	1,073	140
Unconditional Grants	344	12	386	42
Total	\$2,841		3,496	655
Commitment			2,967	
Excess Pressure on Provincial Budget			529	

¹Grant level required to maintain a 60 per cent support rate.

Source: The Ministry of Treasury, Economics and Intergovernmental Affairs.

Actual local spending, however, exerts considerable leverage on the Commitment. As most transfers are based on expenditure-related formulas, rapid local spending growth, particularly in education, builds up claims for matching provincial funding far in excess of the Edmonton Commitment and the Province's ability to finance. Table 10-9 shows how the Commitment has operated over the past two years and the level of provincial transfers it will generate for 1976-77.

General Legislative Grants

During the period 1970-75, total enrolment in Ontario's school board system experienced a modest but steady decline. Between 1970 and 1973, the Province raised its support rate from 51 per cent to 60 per cent; and, as noted earlier, this rate was maintained in subsequent years. As a result, general legislative grants increased from \$845 million in 1970 to \$1,564 million in 1975.

In order to maintain some control over its achievement of target support levels, the Province also introduced spending ceilings, which have been modified each year. By 1973, school board spending was only 22 per cent higher than in 1970, demonstrating the initial success of the spending restraints. After 1973, however, it began to accelerate, and it is now expected that by 1976 school board spending will have more than doubled from the level in 1970 (see Table 10-10). In part, this projected increase can be attributed to recent teacher salary settlements. It is important to note that unless the general legislative grants formula is modified, the jump in school board spending will, in turn, exercise severe

LOCAL GOVERNMENT FINANCING UNDER THE EDMONTON

COMMITMENT, ONTARIO, 1973-74 TO 1976-77

(\$ MILLIONS)

Table 10 - 9

	1973-74 Base	1974-75	Est. 1975-76	Proj. 1976-77
Revenue Growth Rate		19.5%	10.6%	14.0%
Commitment	\$2,023	\$2,417	\$2,673	\$3,047
Actual Transfers	\$2,023	\$2,329	\$2,841	\$2,967
Actual Difference	NIL	-88	+168	-80
Cumulative Balance	NIL	-88	+ 80	NIL

Source: Ministry of Treasury, Economics and Intergovernmental Affairs.

EDUCATION INDICATORS, ONTARIO,
1970-1975

Table 10 - 10

<u>YEAR</u>	<u>Enrolment</u> <u>(1970=100)</u>	<u>Spending</u> <u>(1970=100)</u>	<u>Grants</u> <u>(1970=100)</u>	<u>Basic Ceilings</u> <u>Elem. Sec.</u>
				<u> \$ \$</u>
1970	100	100	100	500 1,000
1971	100.4	108.8	119.9	545 1,060
1972	100.3	118.0	136.8	595 1,100
1973	99.3	121.9	143.3	630 1,130
1974	98.6	134.9	157.3	704 1,231
1975	98.1	164.6	191.8	926 1,441
1976 (Projected)	97.5	205.8		

Source: Ministry of Education.

pressure on the provincial budget.

The Ontario Committee on the Costs of Education recently published its recommendations in respect of education financing. Unfortunately, these recommendations do not appear to provide suggestions to the Province on ways to contain education costs.

We are dismayed to find that, in spite of declining enrolment, total school board spending has risen by as much as 22 per cent in 1975 and is projected to rise by at least 25 per cent by 1976. Moreover, we are convinced that local taxpayers, to whom trustees are directly accountable, should be fully informed about the implications of decisions made by school boards. As we have noted, these have not been clearly apparent in past years because of huge increases in provincial transfers. In the face of anticipated increases in spending, we propose that future grants to school boards be strictly contained within the Edmonton Commitment, so that provincial spending will be controlled and local taxpayers will become directly aware of the significance of decisions taken by school boards.

At present, education grants are based on an internal equalization system that fully takes into account the varying ability of individual municipalities to raise revenues for school purposes. This ensures that education grants are distributed among school boards in an equitable manner. We are therefore confident that overall limits to transfers need not have adverse distributional consequences.

Opportunities for Economy

Data on the education system are complex and difficult to obtain. Those that are available suggest, however, that historically a much more expensive system has developed than is necessary. It appears that the primary causes of escalation in costs are structural changes in the employment of professional staff and the development of an excessively elaborate administrative system, rather than improvements in the actual delivery of services - that is, the teaching of students.

Table 10-11 illustrates some obvious structural changes in the use of professional staff. Since 1966, the increase in the number of actual teachers has been modest, but new and higher-paying functions have been created in which there is a substantial administrative component. It is in these categories, such as department heads, assistant department heads, vice-principals, directors, and coordinators, that growth has been truly dramatic. The justification for this expansion is questionable; indeed, the education system appears to have developed an unduly costly and unproductive system of rewards. For not only do these semi-administrative professionals receive higher salaries, but they also enjoy a lighter teaching load.

A more comprehensive view of staffing trends throughout the school board system is contained in Table 10-12. Here, the structural changes in professional employment shown in Table 10-11 are submerged in the general category of teachers. While the most dramatic increases occurred in the administrative and janitorial categories, it should be noted that the number of teachers rose by about 21 per cent,

FULL-TIME SECONDARY SCHOOL TEACHERS, ONTARIO,
1968, 1972 AND 1975

Table 10 - 11

OCCUPATIONAL CATEGORY	Number			Average Salary (\$000)			1974 Wage Bill Indexed to (1968 as base 100)	
	1968	1972		1968	1972			1975
Principals	567	582	588	19.0	22.2	26.2	143.1	
Vice-Principals	617	727	750	16.4	19.3	22.8	169.0	
Coordinators	211	178	233	12.9	16.6	19.8	170.1	
Directors	418	511	533	13.9	16.6	19.9	182.0	
Department Heads	4,646	5,221	5,304	12.9	15.6	19.0	168.3	
Assistant Heads ¹	1,551	2,597	2,859	11.2	13.8	16.9	277.5	
Subject Chairmen	-	342	472	-	13.1	16.5	273.2 ²	
Master Teachers	-	22	17	-	17.0	21.4	228.8 ²	
Teachers	21,979	23,446	22,530	8.9	10.8	13.6	157.5	
	29,989	33,626	33,286	10.1	12.3	15.4	169.7	

¹ Nil in 1967.

² 1970 = 100.

Source: Ministry of Education.

SCHOOL BOARD COMPLEMENT AND ENROLMENT DATA,
ONTARIO, 1968, 1972, AND 1975²

Table 10 - 12

OPERATIONAL CATEGORY	1968	1972	1975	Percentage Changes	
				1975/68	1975/72
Administrative	10,004	17,939	18,700	+ 86.9	+ 4.2
Janitorial	8,809	17,851	18,600	+ 111.1	+ 4.2
Principals and Vice-Principals	7,078	7,334	7,200	+ 1.7	- 1.8
Teachers ¹	80,732	97,513	97,500	+ 20.8	nil
Total Complement	106,623	140,637	142,000	+ 33.2	+ 1.0
ENROLMENT ('000)					
Elementary	1,431	1,445	1,395	- 2.5	- 3.5
Secondary	501	583	589	+ 17.5	+ 1.0
Total	1,932	2,028	1,984	+ 2.7	- 2.2

¹Includes part-time teachers.

²The figures in this table have been amended from those shown in the first 700 printed copies of this report.

Sources: School boards and Ministry of Education.

despite an increase in enrolment of only 2.5 per cent.

Finally, Table 10-13 displays the trends in school board spending between 1968 and 1975, a period in which the consolidation of school boards took place. This change had a significant bearing on such items as transportation, for which costs increased more rapidly than in any other category between 1972 and 1975. The growth in administrative costs is clearly excessive relative to other spending categories, and the significance of the data is even more marked when enrolment trends are taken into account.

Other Conditional Transfers

Table 10-14 presents a summary of all transfers to local governments and agencies. Education transfers accounted for 55.1 per cent of total basic transfers in 1975-76, leaving \$1,277 million for municipalities and local agencies. Again, many of the conditional transfers to municipalities and agencies are open-ended, responding directly to local spending trends. For example, the Province is currently funding 50 per cent of the operating deficits of local transit systems. These deficits are rising rapidly and, with them provincial assistance. Similarly, transfers in the area of social assistance are expressed as a percentage of spending requirements and therefore fluctuate in response to shifting needs.

The Province also finances 75 per cent of the cost of subway construction and rolling stock, as well as streetcars and buses; for Metropolitan Toronto, the Government has offered to buy a large number of streetcars, which will be leased to the

EXPENDITURES BY SCHOOL BOARDS

AND ENROLMENT DATA, ONTARIO, 1968, 1972, AND 1975

(\$ THOUSANDS AND THOUSANDS OF STUDENTS)

Table 10 - 13

EXPENDITURE CATEGORY	1968	1972	Estimated 1975	Percentage Changes	
				1975/68	1975/72
Administration	\$ 172,965	\$ 291,592	\$ 412,666	+ 138.6	+ 41.5
Plant Operation and Maintenance	150,619	241,837	346,954	+ 130.4	+ 43.5
Transportation	41,840	71,062	104,941	+ 150.8	+ 47.7
Debt Charges	134,771	189,637	206,545	+ 53.3	+ 8.9
Capital and Other Expenditures	78,535	103,655	142,336	+ 81.2	+ 37.3
Subtotal	578,730	897,783	1,213,442		
Teachers' Salaries	712,865	1,108,581	1,541,775	+ 116.3	+ 39.1
Total	1,291,595	2,006,364	2,755,217	+ 113.3	+ 37.3
<u>ENROLMENT</u>					
Elementary	1,431	1,445	1,395	- 2.5	- 3.5
Secondary	501	583	589	+ 17.5	+ 1.0
Total	1,932	2,028	1,984	+ 2.7	- 2.2

Sources: School board financial reports and estimates.

SUMMARY OF ALL TRANSFER PAYMENTS TO
LOCAL GOVERNMENTS AND AGENCIES
(\$ MILLIONS)

Table 10 - 14

	1972-73	1973-74	1974-75	1975-76
<u>Conditional Payments</u>				
Education	1,184	1,251	1,331	1,564
Transportation	234	267	334	419
Social Assistance	135	117	136	167
Housing	-	-	6	24
Environment	2	1	6	15
Health	10	9	11	14
Other	14	17	24	67
Subtotal	1,579	1,662	1,848	2,270
<u>Unconditional Payments</u>				
Resource Equalization	-	56	70	80
General Support	-	49	85	79
Northern Ontario	-	10	12	18
Per Capita-General	48	52	63	64
Per Capita-Policing	16	25	42	71
Other	15	9	25	32
Subtotal	79	201	297	344
<u>Payments to Local Agencies</u>				
Homes for the Aged	35	50	58	67
Children's Aid	40	41	47	65
Health Agencies	27	25	33	42
Conservation Authorities	19	30	30	34
Library Boards	9	14	16	19
Subtotal	130	160	184	227
BASIC FINANCIAL TRANSFERS = Commitment	1,788	2,023	2,329	2,841
<u>Other Assistance</u>				
Teachers' Superannuation Fund	73	167	293	235
Payments in lieu of Taxes	25	26	29	34
Tax Compensation Grants	-	12	13	14
Employment Incentives	29	13	3	38
Subtotal	127	218	338	321
TOTAL FINANCIAL SUPPORT	1,915	2,241	2,667	3,162

Source: The Ministry of Treasury, Economics and
Intergovernmental Affairs.

city for a nominal amount.¹ The cumulative effect of expenditures on both items will be a very heavy investment in 1976 and 1977. In fact, the additional dollar requirements exceed the amount of new financing provided under the Edmonton Commitment. The proportionately small local share of these costs will still be large enough to create severe local financial strain as well.

In short, conditional transfers to municipalities and agencies are subject to the same kind of leverage on the Province as is exercised by spending on education. It is obvious that, in order to stay within the Edmonton Commitment, the Province will have to modify open-ended formulas for non-education transfers to the local sector, as well as funding levels for education.

Unconditional Grants

Unconditional grants to municipalities have increased significantly over the past few years. These payments have also become more sophisticated and sensitive to varying needs and conditions among local governments. We consider these improvements an important development, for unconditional payments enhance local autonomy, leave the Province less exposed to the fiscal consequences of local spending decisions, and assist containment within the Edmonton Commitment. It is for these important reasons that we see great merit in placing further emphasis on unconditional transfers, primarily by substituting them for existing conditional grant programs.

¹ Contracts for the purchase of streetcars have already been let, while the signing of contracts for subway construction is imminent.

In 1973, municipalities received about one-third of their total transfers in the form of unconditional grants. This was achieved by enrichment of these payments, rather than substitution for conditional transfers. Since then, unconditional transfers have not gained in relative importance. Thus, there is considerable scope for the replacement of conditional grants with unconditional transfers.

General Concerns

In addition to the financial arrangements considered in the preceding pages, the following concerns warrant special attention:

- Salary Negotiations. The central cause of spiralling education costs is the rising level of salary settlements. Salary and wage settlements represent 70 per cent of total cost and are negotiated by individual boards. Property taxpayers will face very large mill rate increases every year, unless the level of future salary costs can be significantly reduced.
- Mill Rates and Property Taxes. The Province's enriched education grants and unconditional grants have been the major factors in constraining property tax increases during the past five

years. As noted earlier, a drawback of these generous increases is that local taxpayers have been insulated from the effect of spending decisions. With the prospect of high spending growth in 1976, particularly by school boards, it is inevitable that there will be substantial mill rate increases. Our proposal to impose limits on general legislative grants and other transfers in order to stay within the Edmonton Commitment will put yet further pressures on mill rates, unless local authorities respond with drastic curtailment of spending plans. One of the benefits of such restrictions will be to create awareness on the part of the taxpayer to the financial consequences of decisions taken by local spending authorities.

Proposals for Rationalized Financing Arrangements

We are seriously concerned about the accelerating costs of the education system and the burden that such costs place on Ontario taxpayers. We also believe that there is considerable opportunity for rationalizing existing arrangements for local government financing, with a view to controlling increases in provincial expenditures and

ensuring the distribution of available resources to areas identified as local priorities. The Committee therefore recommends that:

- 10.7 THE PROVINCE LIMIT ITS SUPPORT OF SCHOOL BOARDS AND LOCAL GOVERNMENTS GENERALLY TO THE AVAILABLE FINANCES AS DEFINED IN THE EDMONTON COMMITMENT, IMPLEMENTATION OF THIS PROPOSAL WILL REQUIRE MODIFICATION OF EXISTING OPEN-ENDED COST-SHARING FORMULAS.
- 10.8 THE NEW FUNDS GENERATED BY THE EDMONTON COMMITMENT EACH YEAR BE DIVIDED EQUALLY BETWEEN SCHOOL BOARD SUPPORT AND ALL OTHER FORMS OF LOCAL FINANCIAL ASSISTANCE.
- 10.9 IN VIEW OF THE CONTINUING DECLINE IN ENROLMENT, SCHOOL BOARD SPENDING BECOME A DECLINING PROPORTION OF THE GROSS PROVINCIAL PRODUCT.
- 10.10 THE PROVINCE SEEK WAYS AND MEANS TO CONTAIN THE ESCALATION OF COSTS IN THE EDUCATION SYSTEM. IN THIS RESPECT, THE IMPOSITION OF SPENDING CEILINGS DOES NOT APPEAR TO BE A SUFFICIENTLY EFFECTIVE MEANS OF CONTROL.

- 10.11 THE PROVINCE IMMEDIATELY
REVIEW ITS CONDITIONAL
GRANT PROGRAMS WITH A
VIEW TO AVOIDING COMMIT-
MENTS TO NEW, OPEN-ENDED,
AND COSTLY UNDERTAKINGS,
PARTICULARLY IN THOSE
AREAS OF SUPPORT WHERE THE
PROVINCIAL SHARE EXCEEDS
50 PER CENT,

The intent here is to preserve the viability of the Edmonton Commitment over time and promote more responsible local spending decisions. In any event, we are not at all convinced that open-ended conditional grant rates in excess of 50 per cent are desirable.

The Committee also recommends that:

- 10.12 THE PROVINCE SUBSTITUTE
UNCONDITIONAL ASSISTANCE
FOR EXISTING OPEN-ENDED
CONDITIONAL GRANT PROGRAMS.

This proposal is consistent with preserving local autonomy, placing responsibility and accountability for spending decisions where they should be, and increasing the proportion of the provincial budget that is directly controllable by the Legislature.

We recognize the potential impact of our recommendations on school board finances. Assuming a spending growth rate in 1976 of 25 per cent, the effect of implementing our proposals can be sum-

marized as follows:

- General legislative grants would rise by \$63 million in 1976-77, rather than the \$473 million that the present open-ended formula implies.
- The provincial support rate would drop from 60 per cent in 1975 to below 50 per cent in 1976.
- Education mill rates would rise on average by 55 per cent in 1976.
- Even maintaining the provincial support rate of 60 per cent would require a mill rate increase of 20 per cent.

CHAPTER 11

CAPITAL EXPENDITURES

THE PROVINCE'S INVESTMENT PROGRAM

In 1975-76, capital expenditures by the Ontario Government will exceed \$1.8 billion, representing 16 per cent of all provincial expenditures and almost 15 per cent of total private and public investment in Ontario. Capital funds support the construction of public buildings, social institutions, and cultural facilities. Various capital programs also exist to encourage private sector development through the provision of assistance to the agricultural forestry, mining, tourism, and manufacturing industries. But the largest portion - almost 75 per cent - of Ontario's capital investment is directed to the support of community infrastructure, through assistance in providing housing, roads, transit, schools, sewers, and parks and in preserving land. This emphasis on community development has emerged in response to the concentration in the 1970s of Ontario's population growth in the 20-64 age category.

Almost all of the Province's operating ministries have capital programs, many of them providing grants and loans to local governments, agencies, and the private sector. Programs for capital assistance are often complicated: ministry guidelines not only specify the design of facilities, but also include criteria to determine local needs and ability to pay. The problems of policy development and administration associated with coordinating these investment programs are immense. For example, the priorities among competing program demands must be determined; and ministries, in turn, must coordinate projects to meet

community requirements, while at the same time staging project starts to match funds made available through the budgetary process.

For the sake of clarity, our discussion of the Province's capital expenditures is organized into four main sections: private sector assistance, institutional capital, infrastructure investment, and land acquisition.

PRIVATE SECTOR ASSISTANCE

Provincial capital expenditures to support the private sector through various ministry programs have grown over the past five years by 90 per cent, to a total of \$160 million in 1975-76. The major increase in support has been directed to the Ontario Development Corporations.

Agricultural Assistance

The Ministry of Agriculture and Food provides almost \$40 million in assistance for improving farm operations. Existing programs can be summarized under five main headings:

- Upgrading Buildings and Fixed Farm Equipment (1975-76: \$10 million). Capital grants are based on 40 per cent of costs and are limited to \$3,000 per farm. The program was established for a 12-year period ending in 1979 at a total cost of \$129 million. Approximately 70 per cent of the eligible farmers have received assistance to date, with 25 per cent taking their full

funding allotment. This program should be reassessed when the funds allocated to this purpose are exhausted.

- Drainage Assistance (1975-76: \$16 million). The Province provides one-third grants (two-thirds in ARDA areas) for area drainage projects. Tile drainage loans also are made available by the Province through municipalities to individual farmers to improve their own acreage. Loans cover 75 per cent of the costs and are repayable over 10 years at 4 per cent interest.
- Improving Viability of Farm Operations (1975-76: \$3 million). Under ARDA, farm lands are purchased by the Government at a price up to \$350 per acre, to encourage acreage expansion and consolidation in areas of low productivity. To date, 2,700 farms have been purchased, encompassing 363,000 acres; of these, 143,000 acres have been resold and the remainder placed under lease. Leasing conditions require the recovery of interest, taxes, and operating costs.
- Rural Development (1975-76: \$4 million). The major component of this program involves grants of up to \$5,000 for each job established in renewable resource industries. The program is designed to generate

rural employment opportunities in areas of low agricultural productivity.

- Farmland Protection (1975-76: \$6 million). Grants covering 90 per cent of costs are provided to conservation authorities through ARDA, for building control devices to prevent the flooding of farmlands bordering the Great Lakes.

The Province has announced the introduction of farm income stabilization programs to supplement, if necessary, the federal programs to be announced under Bill C50.¹ It has also indicated a concern for the preservation and protection of prime agricultural land for future generations. With government developing income stabilization programs, it is in the interests of both farmers and the public to encourage the modernization of farms and increased productivity. The Committee therefore recommends that:

11.1 EXISTING CAPITAL AGRICULTURAL
 ASSISTANCE PROGRAMS BE RE-
 EXAMINED IN THE LIGHT OF
 EMERGING INCOME STABILIZATION
 PROGRAMS AND CONCERN FOR THE
 LONG-TERM PROTECTION OF PRIME
 AGRICULTURAL LANDS.

Assistance for Industry and Tourism

In 1975-76, \$70 million in loans will be made available through the Ontario Development Corporations to support tourism and secondary manufacturing

¹Farm income stabilization is discussed in more detail in Chapter 14.

industries. This represents a substantial increase over the 1971-72 level of \$16 million. It is also noteworthy that in 1975-76 over half of this assistance will be directed to eastern and northern Ontario. Loans are normally made at interest rates set 2 per cent above the Province's current medium-term rate. In 1974-75, tourism loans totalling \$22 million were provided with interest matching the Province's current borrowing rate.

It is our view that the Province and the banking community should cooperate in providing loans to industries in northern and eastern Ontario. A joint effort by the banking community and the Province would focus attention on these areas and should serve as an added inducement to industry to locate there.

The Committee recommends that:

- 11.2 TO ENCOURAGE INDUSTRIAL GROWTH, THE MINISTRY OF INDUSTRY AND TOURISM DEVELOP, IN CONCERT WITH THE BANKING COMMUNITY, A \$25-50 MILLION LOAN PROGRAM WITH PROVINCIAL GUARANTEES FOR EASTERN AND NORTHERN ONTARIO, AND PROVINCIAL LOANS BE PHASED OUT AT THE SAME TIME.

This topic is discussed in greater detail in Chapter 14.

In 1975-76, a program was announced to direct development away from major urban centres by providing serviced industrial parks in northern and eastern Ontario. The Committee endorses this program and recommends that:

- 11.3 IMPLEMENTATION OF THE PROGRAM TO SERVICE INDUSTRIAL PARKS IN NORTHERN AND EASTERN ONTARIO BE CAREFULLY STAGED AND MONITORED, TO ENSURE THAT SUCH PARKS WILL BE DEVELOPED AT A PACE THAT MATCHES THE CAPACITY OF COMMUNITIES TO FIND OCCUPANTS FOR THEM.

Assistance to Resource Industries

The Ministry of Natural Resources provides capital assistance to resource industries through the construction of access roads. The estimated cost of this program is about \$5 million in 1975-76, representing a contribution to the forestry and mining industries.

The Committee recommends that:

- 11.4 PROGRAMS TO PROVIDE ACCESS ROADS BE CAREFULLY EXAMINED TO ENSURE THAT THE PROVINCE IS REIMBURSED BASED ON AN EQUITABLE ALLOCATION TO THE RESOURCE INDUSTRIES CONCERNED,
- 11.5 THE ALTERNATIVE BE EXPLORED OF REQUIRING RESOURCE INDUSTRIES TO PROVIDE THEIR OWN ACCESS ROADS WHEREVER POSSIBLE, ACCORDING TO PREDETERMINED STANDARDS,

Support for The Ontario Transportation Development Corporation

The Ontario Transportation Development Corporation was considered in terms of its role in

developing urban transit and encouraging private sector involvement in this area. The Committee recommends that:

- 11.6 THE ONTARIO TRANSPORTATION DEVELOPMENT CORPORATION CONTINUE TO CARRY OUT ITS ORIGINAL MANDATE OF ENCOURAGING PRIVATE SECTOR INVOLVEMENT IN THE DEVELOPMENT OF IMPROVED URBAN TRANSIT SYSTEMS WITH PROVINCIAL CAPITAL SUPPORT REMAINING AT ITS PRESENT LEVEL.

Another area of concern is capital expenditures on energy development. This is discussed in Chapter 14.

Regional Priority Budget

Through the regional priority budget, further financial assistance is provided to encourage development in northern and eastern Ontario. Funds are made available to meet capital costs for projects that are of economic or social significance to an area. Many of these projects are also eligible for cost sharing by the federal government through the Department of Regional Economic Expansion.

In 1975-76, the allocation for capital projects amounts to \$40 million, including about \$17 million that will be contributed by the federal government. The majority of the funds are designated for infrastructure and industrial parks.

We endorse these efforts to assist in equalizing economic opportunities within the Province. We also agree, in principle, that there should be a special fund set aside for projects that may not have

a high priority for the Province as a whole but do have importance within a particular region. Coordination with the federal government and between ministries should, however, be improved.

The Committee recommends that:

- 11.7 THE REGIONAL PRIORITY BUDGET BE CONTINUED AND EFFORTS MADE TO IMPROVE PROCEDURES RELATING TO THE DETERMINATION OF PRIORITIES AND THE COORDINATION OF ACTIVITIES.

INSTITUTIONAL CAPITAL

Table 11-1 shows the trend in capital expenditures for public buildings, institutions, and cultural facilities during the 1970s. There have been significant increases in all areas of capital expenditure, with the exception of post-secondary education.

Capital expenditures in relation to health, social services, and cultural facilities, as well as post-secondary education, are examined in greater detail in the chapters of the report that deal with these specific topics. Generally, it appears that a critical examination of investment in these areas is needed, because of the generous supply of facilities already available and the significant operating costs that result from such investments.

The construction program of the Ministry of Government Services, summarized in Table 11-2, shows that a major increase in expenditures has been directed towards the provision of justice and correctional facilities.

With respect to the capital expenditures of

CAPITAL ASSISTANCE BY THE PROVINCE,
ONTARIO, 1971-72 AND 1975-76

Table 11 - 1

<u>Capital Programs</u>	<u>1971-72</u> (\$ Mill.)	<u>1975-76</u> (\$ Mill.)	<u>Change</u> (%)
Health Facilities	\$ 60	\$ 84	40%
Social Services Capital	16	22	38
Cultural Assistance	14	33	136
Government Services Capital	<u>73</u>	<u>109</u>	<u>49</u>
	163	248	52
Post-Secondary Education	178	39	-79
- Universities	115	17	
- Colleges of Applied Arts and Technology	63	22	
	<u>341</u>	<u>287</u>	
Total	341	287	-16

Sources: Internal documents of various
ministries of the Ontario Government.

CAPITAL PROJECTS, MINISTRY OF GOVERNMENT SERVICES,
ONTARIO, 1971-72 AND 1975-76

Table 11 - 2

<u>Program Area</u>	<u>1971-72</u> (<u>\$ Mill.</u>)	<u>1975-76</u> (<u>\$ Mill.</u>)	<u>Change</u> (<u>\$ Mill.</u>)
Justice	\$ 11	\$ 24	\$ 13
Correctional Services	<u>14</u>	<u>29</u>	<u>15</u>
	25	53	28
Health, Community and Social Services	18	16	-2
Government Services	14	17	3
Other	<u>16</u>	<u>22</u>	<u>6</u>
	48	55	7
Total	<u>73</u>	<u>108</u>	<u>35</u>

Sources: Internal documents, Ministry of Government Services.

this Ministry, we do not support the increased use of leasing as a means of reducing budgetary expenditures. We consider that the advantages of reduced capital requirements are outweighed by the inefficiencies that result from the failure to examine the long-term implications of capitalized accommodation requirements.

In view of the recent reductions in provincial manpower, the Committee recommends that:

- 11.8 THE PROVINCE FREEZE OFFICE ACCOMMODATION AT ITS PRESENT LEVEL AND ALSO ADJUST STANDARDS FOR OFFICE SPACE TO ACHIEVE MORE EFFICIENT USE OF EXISTING ACCOMMODATION.

The Committee further recommends that:

- 11.9 CAPITAL REQUESTS RECEIVED BY THE MINISTRY OF GOVERNMENT SERVICES FOR COURT HOUSES AND INSTITUTIONAL FACILITIES BE CRITICALLY EXAMINED AND APPROVALS BE LIMITED TO SITUATIONS OF EXTREME URGENCY.

INFRASTRUTURE INVESTMENT

Provincial investment in community infrastructure has increased by 62 per cent since 1971-72. As Table 11-3 shows, the largest dollar increases have been directed to environmental, housing, and transportation services. These increases have, however, been partially offset by a decrease in

PROVINCIAL INFRASTRUCTURE INVESTMENTS,
ONTARIO, 1971-72 AND 1975-76

Table 11 - 3

Ministry	1971-72 ¹ (\$ MILL.)	1975-76 ¹ (\$ MILL.)	Change (%)
Education	\$276	\$166	-40%
Environment	60	158	163
Housing	139	469	237
Natural Resources	21	41	95
Transportation	306	463	51
Treasury, Economics and Intergovernmental Affairs	8	15	87
	810	1,312 ²	62

¹Certain figures do not coincide with published data because of variations in accounting treatment.

²The provincial expenditures of \$1.3 billion in 1975-76 are matched by federal and municipal commitments of approximately \$1.0 billion.

Sources: Unpublished ministry information.

capital funds for education. Capital expenditures in each of these areas are discussed in the pages that follow.

Natural Resources

In 1975-76, approximately \$29 million or 70 per cent of the capital funds of the Ministry of Natural Resources will be directed to the support of conservation authorities (see Table 11-4). About \$17 million of this amount is designated for flood control projects.

Earlier in this chapter, we have referred to the provision of \$6 million through the Agricultural Rehabilitation and Development Agreement payable to conservation authorities for flood protection of lands bordering the Great Lakes. Grant levels for other flood control projects are 100 per cent of all project costs exceeding \$30,000, excluding land, for which 50 per cent funding is available. Flood control projects adjacent to the Great Lakes receive 90 per cent support from ARDA.

These high levels of support might well result in pressures for over-investment in facilities, in relation to the actual flood risk and the potential capital value of losses from flooding. The Committee therefore recommends that:

- 11.10 PROVINCIAL INVESTMENTS IN FLOOD CONTROL PROGRAMS BE CAREFULLY EXAMINED AND CONSIDERATION BE GIVEN TO ALTERING PRESENT COST-SHARING RELATIONSHIPS TO ACHIEVE A LARGER LOCAL FINANCIAL COMMITMENT.

CAPITAL PROJECTS, MINISTRY OF NATURAL RESOURCES,
 ONTARIO, 1971-72 AND 1975-76

Table 11 - 4

Program	1971-72 (\$ Millions)	1975-76 (\$ Millions)	Increase (%)
Land Management, Outdoor Recreation, etc.	\$ 9	\$ 12 (30 %)	33%
Conservation Authorities	12	29 (70 %)	141
	21	41	95

Source: Ministry of Natural Resources.

Education

The Ministry of Education currently supports 90-98 per cent of the approved portion of capital construction costs for new educational facilities. The purchase of school sites is funded at 75 per cent of market value.

Total capital expenditures have declined from \$329 million in 1971-72 to an estimated \$185 million in 1975-76. The major portion of provincial support (\$92 million in 1975-76) is funded through loans to school boards from the Education Capital Aid Corporation, with amortization payments being substantially supported by the Province through the extraordinary grant formula (explained below). The Ministry of Education also provides funds through general legislative grants to cover the remaining provincial share of capital expenditures.² In recent years, requests from school boards for capital commitments have greatly exceeded current levels of spending.

During the 1960s, a program of school centralization and consolidation was begun in Ontario. With the amalgamation of school boards in 1969, the implementation of this program accelerated, and now consolidation is virtually complete.

In 1972, the Province agreed to support 90-98 per cent of extraordinary expenditures (primarily transportation and debt charges) when such costs exceed \$60 and \$90 per pupil at the elementary and secondary levels respectively, with lower rates of grant being paid to school boards up to these limits. In 1975-76, extraordinary expenditures of

²Grants of this nature are discussed in Chapter 10.

the majority of school boards will exceed these limits. Consideration should be given to raising these per-pupil amounts; limits of \$60 and \$90 are no longer realistic since they now represent only 6 per cent of ordinary operating ceilings. There also should be a re-examination of the 90-98 per cent level of provincial capital support, with a view to reducing such support to 75 per cent. (See Table 11-5).

Construction costs have increased rapidly in recent years, so that the provision of each additional school place now costs \$3,500 at the elementary level and \$5,000 in secondary schools. This cost results in an annual carrying charge for facilities that adds approximately 35 per cent to current operating costs per pupil. In view of the need to restrain spending, planning standards should be re-examined, and the possibility of transporting students to under-utilized school facilities should be explored.

The Committee recommends that:

- 11.11 CURRENT LIMITS OF \$60 IN EXTRAORDINARY EXPENDITURES PER ELEMENTARY PUPIL AND \$90 PER SECONDARY PUPIL BE RAISED, THE 90-98 PER CENT LEVELS OF SUPPORT FOR CAPITAL EXPENDITURES BE REDUCED TO 75 PER CENT, AND EXISTING PLANNING AND TRANSPORTATION STANDARDS BE RE-EXAMINED.
- 11.12 THE PRESENT PRACTICE WHEREBY THE PROVINCE PROVIDES NEARLY ALL OF THE CAPITAL FUNDING FOR SCHOOL PURPOSES BE ALTERED TO ALLOW THE MAJOR BOARDS TO

FINANCIAL ASSISTANCE FOR SCHOOL
BOARDS, PER PUPIL, ONTARIO
1972 AND 1975

Table 11 - 5

	<u>Elementary</u>		<u>Secondary</u>	
	<u>1972</u>	<u>1975</u>	<u>1972</u>	<u>1975</u>
Ordinary Operating Ceiling	\$595	\$926	\$1,100	\$1,441
90-98 per cent grant for extra-ordinary expenditures	\$ 60	\$ 60	\$ 90	\$ 90
Percentage of operating ceiling	10%	6%	8%	6%

Source: Internal documents, Ministry of Education.

RAISE THEIR OWN FUNDS BY
BORROWING ON THE PUBLIC
CAPITAL MARKET, THE PROVINCE
SHOULD, HOWEVER, RETAIN THE
RIGHT TO APPROVE OR REFUSE
PROPOSALS FOR CAPITAL PROJECTS
IN THE FIELD OF EDUCATION.

Environment

Capital assistance provided by the Ministry of the Environment has grown from \$60 million in 1971-72 to \$158 million in 1975-76. In the current fiscal year, about \$120 million will be spent on sewage treatment facilities; the remainder is designated for water projects and waste recovery plants.

In assisting the provision of water and sewage facilities, the Province recovers its investment through user charges over a 40-year period. Two forms of subsidies are offered by the Ministry:

- Small municipalities are subsidized up to 75 per cent of capital costs, if the costs result in annual household charges exceeding \$130 for sewage and \$110 for water. These limits were set in 1973.
- Area projects in designated regions receive 15 per cent capital grants. In other parts of the province, 15 per cent grants are paid for oversizing of area projects to meet anticipated future growth.

In 1975-76, it is estimated that 41 per cent of capital assistance will be forgiven under the above

subsidy programs (see Table 11-6). The projected funding request for the next fiscal year will reflect an increase of 75 per cent.

After reviewing this situation, the Committee recommends that:

- 11.13 THE LIMITS SET IN 1973 OF \$130 FOR SEWAGE AND \$110 FOR WATER, ABOVE WHICH A 75 PER CENT SUBSIDY APPLIES, BE RAISED TO REFLECT INCREASING COSTS, RATHER THAN WRITING OFF THE CAPITAL COSTS ABOVE THE HOUSEHOLD RATE LIMITS IN EFFECT AT THE TIME OF CONSTRUCTION, AMORTIZATION PAYMENTS SHOULD BE FORGIVEN ON THE BASIS OF EXISTING HOUSEHOLD RATE LIMITS AND ADJUSTED IN FUTURE YEARS TO REFLECT CHANGING TRENDS IN HOUSEHOLD CHARGES.
- 11.14 THE PROVINCE DEVELOP A FORMULA THAT WOULD ENCOURAGE LARGER MUNICIPALITIES TO RAISE MONIES BY BORROWING ON THE PUBLIC CAPITAL MARKET.
- 11.15 THE MINISTRY OF THE ENVIRONMENT RESTAGE CAPITAL PROJECTS TO REDUCE CASH FLOW REQUIREMENTS, WITH FIRST PRIORITY BEING GIVEN TO ENVIRONMENTAL WORKS ASSOCIATED WITH ECONOMIC DEVELOPMENT OR NEEDED TO INCREASE SERVICED LAND IN AREAS WHERE NEW HOUSING STARTS ARE REQUIRED IN THE SHORT TERM.

CAPITAL PROJECTS, MINISTRY OF THE
ENVIRONMENT, ONTARIO
1975-76

Table 11 - 6

	Expenditure (\$ Millions)	Subsidy (\$ Millions)	(%)
Small Municipalities	\$ 88	\$ 52	59%
Area Projects	60	9	15
	148	61	41

Source: Ministry of the Environment.

Transportation

The capital expenditures of the Ministry of Transportation and Communications have risen by 55 per cent over the four-year period 1971-72 to 1975-76, from \$306 to \$474 million. For the same period, the proportion of funds directed to support the municipal sector has increased from 39 to 48 per cent of total expenditures. Table 11-7 gives a breakdown of these data.

Existing provincial support formulas vary substantially in accordance with the type of municipal structure to which assistance is extended. Current ranges of support for roads and bridges are summarized in Table 11-8.

It should be noted that counties and regions receive 50 per cent grants for taxes levied for road purposes to 1.25 mills (equalized assessment), with grants rising to 80 per cent for expenditures beyond 1.75 mills. Municipalities usually commission studies to determine road requirements, and these provide some limit on expenditures. There is, however, no question that a formula of this type can act as an incentive for municipalities to direct monies into roads, since at a tax rate of 1.75 mills the Province will match each municipal dollar with four provincial dollars.

We believe that the type of municipal structure should not be the sole determinant of the percentage level of provincial grant support, particularly as applied to the larger municipalities. The Committee therefore recommends that:

CAPITAL PROJECTS, MINISTRY OF
TRANSPORTATION AND COMMUNICATIONS,
ONTARIO, 1971-72 AND 1975-76

Table 11 - 7

	1971-72		1975-76	
	(\$ Millions)	(% Support)	(\$ Millions)	(% Support)
Roads	\$ 279	37%	\$ 381	41%
Transit	17	100	93	78
	306	39	474	48

Source: Ministry of Transportation and Communications.

FINANCIAL ASSISTANCE FOR ROADS AND BRIDGES, ONTARIO, 1974-75 (PER CENT)				Table 11 - 8	
	<u>Roads</u>	<u>Bridges</u>	<u>1974-75 Prov. Capital Grant</u>		
Counties	50-80%	50-80%	67%		
Regions	50-80	50-80	65		
Metropolitan Toronto	50	50	50		
Cities	50	50	50		
Towns, Villages, and Boroughs	50	80	52		
Townships and Improvement Districts	50-80	80-100	N/A		

Source: Ministry of Transportation and Communications.

- 11.16 THE PROVINCE RE-EXAMINE THE EXISTING GRANT STRUCTURE WITH A VIEW TO REDUCING GRANT LEVELS FOR ROADS AND BRIDGES TOWARDS 50 PER CENT FOR STRONGER MUNICIPALITIES, AND AT THE SAME TIME APPROPRIATE ADJUSTMENTS BE MADE IN UNCONDITIONAL GRANTS.

The inter-urban road network in Ontario has been substantially improved in the past decade, particularly within the rural county road system. In light of these improvements, there should be a thorough reappraisal of the current level of capital investments with the aim of reducing provincial support. The Committee recommends that:

- 11.17 THE CURRENT LEVEL OF PROVINCIAL EXPENDITURES ON PROVINCIAL HIGHWAYS AND RURAL COUNTY ROADS BE REDUCED, WITH EMPHASIS BEING PLACED ON FACILITIES REQUIRED FOR ECONOMIC DEVELOPMENT,

- 11.18 A STUDY BE UNDERTAKEN TO FIND WAYS OF ENCOURAGING FULLER USE OF COUNTY ROAD NETWORKS TO COMPLEMENT THE PROVINCIAL HIGHWAY SYSTEM IN MEETING THE INTER-URBAN TRANSPORTATION NEEDS OF ONTARIO AND TO EASE FUTURE REQUIREMENTS FOR CAPITAL INVESTMENT.

At present, the Province provides 75 per cent support of capital costs for transit services and 50 per cent grants to cover municipal transit

operating losses. We understand that the Ministry of Transportation and Communications is exploring formula changes to discourage excessive capital investment in equipment, the uneconomical expansion of services, and the maintenance of realistic fare policies in municipalities.² This review should be given high priority. The study should also explore the possibility of stretching out capital investment in transit systems over a longer time frame. In this regard, there should also be efforts to develop a municipal transportation assistance policy that would treat roads and transit as complementary alternatives in meeting local transportation requirements.

The Committee recommends that:

11.19 THE MINISTRY OF TRANSPORTATION AND COMMUNICATIONS COMPLETE AS QUICKLY AS POSSIBLE ITS STUDY OF POSSIBLE CHANGES TO CAPITAL AND OPERATING SUBSIDIES TO SLOW CAPITAL INVESTMENTS AND ENSURE THE RATIONAL DEVELOPMENT AND EFFICIENT OPERATION OF MUNICIPAL TRANSIT SYSTEMS,

11.20 THE STUDY BE EXTENDED TO DEVELOP AND RATIONALIZE MUNICIPAL TRANSPORTATION ASSISTANCE CONSISTENT WITH THE VIEW THAT INVESTMENTS IN ROADS AND TRANSIT ARE COMPLEMENTARY ALTERNATIVES IN MEETING LOCAL TRANSPORTATION REQUIREMENTS,

Housing

The Province's capital expenditures on housing have risen by more than 300 per cent over the past five

²The expenditure effect of these policies is shown in Table 11-9.

PROVINCIAL TRANSIT EXPENDITURES,
 ONTARIO, 1975-76
 (\$ MILLIONS)

Table 11 - 9

	<u>Provincial</u>	<u>Municipal</u>
Capital	\$20	\$73
Operating Loss	<u>11</u>	<u>48</u>
Total	31	121

Analysis of Municipal Operating Loss

Operating Costs	248
Passenger Revenues, etc.	<u>152</u>
Total Loss	96
Provincial Share	48

Source: Internal documents, Ministry of Transportation and Communications.

years, to a total of approximately \$470 million in 1975-76. In considering these expenditures, a number of factors must be given careful attention, as they will have a major impact on the future housing situation in Ontario:

- In 1975, the cost of mortgage money has climbed from just over 10 per cent to 12 per cent and may rise to even higher levels, depending on actions by the Bank of Canada and other external factors.
- The pressures for capital funds from government and the private sector will likely increase in the next two years in the face of continued inflation and a general economic recovery.
- In response to rising rents, the Province will be establishing rent control mechanisms that may have a dampening effect on rental housing starts.
- The availability of mortgage funds for rental accommodation with interest rates fixed for the term of the mortgage has diminished significantly. Thus, the builder is faced with the added uncertainty of the cost of money five or ten years hence, when interest rates will be open for renegotiations.
- Similarly, an increasing number of home-owners will be faced with possible increases in

interest rates when their mortgages come up for renewal every five years. It is expected that the impact of such increases on the homeowner will be alleviated through tax credit assistance of up to \$500 annually for interest charges beyond 10½ per cent, as recently announced by the Province.

- The sale of new ownership units has slowed temporarily because of economic uncertainties and the fact that income levels have not risen sufficiently to meet the increased carrying charges resulting from the combination of higher prices and the higher cost of money.
- The impact of immigration and interprovincial migration trends may ease requirements for additional housing stock in Ontario over the next five years.

To meet future requirements for additional housing stock and keep the cost of housing in line with society's ability to pay, government at all levels, the housing industry, and lending institutions must recognize their joint responsibility and hence the need for cooperative action in this area. It is estimated that capital funds amounting to \$3 - 3.5 billion a year are required to build an additional 80,000 to 100,000 units annually. This amount does not include the cost of school, road, and sewage services, which is substantial. Since funding at this level is clearly

beyond the Province's capacity, it is essential that lending institutions undertake a significant and continuing role in financing both ownership and rental accommodation in Ontario.

The Committee recommends that:

- 11.21 THE PROVINCE ENCOURAGE LENDING INSTITUTIONS AS THE PRIME SOURCE OF FINANCING FOR NEW OWNERSHIP AND RENTAL ACCOMMODATION TO INCREASE THEIR PARTICIPATION AND THE PROVINCE DIRECT ITS FUNDS TOWARDS COMPLEMENTING THIS SUPPORT IN AN APPROPRIATE MANNER, IN ACCORDANCE WITH EXISTING ECONOMIC CONDITIONS,

Because of the substantial capital investment involved, it is of first importance to examine critically the supply requirements for housing over the next five years. The standard of housing has improved dramatically over the last decade, both in terms of a reduction in the number of persons per household and the physical quality and size of the housing stock itself. These improvements are desirable since housing is an important component of our standard of living, but they have proved extremely costly. Although Ontario now has a much-improved stock of housing, there are still significant numbers of people who wish to improve their present accommodation but cannot afford to do so.

A figure of 100,000 new housing starts per year is commonly cited as the required level of housing activity to meet Ontario's needs in the immediate future. The most recent population projections, however, indicate a moderation in the future rate of

population growth. Thus, there is some question as to whether or not a target of 100,000 new starts is realistic or desirable. In support of this point, Table 11-10 presents a simplified analysis of the current and projected housing situation.

The table shows that a production level of 500,000 units over the next five years would result in the addition of one new housing unit for each 1.4 additional persons over 15 years of age. This level of production would also result in a drop of approximately 10 per cent in the number of persons per household in Ontario by 1981. Further research on projected housing requirements should be undertaken.

The Committee recommends that:

11.22 THE PROVINCE UNDERTAKE STUDIES
TO DETERMINE THE LEVEL OF
HOUSING ACTIVITY REQUIRED OVER
THE NEXT FIVE YEARS BASED ON
CURRENT POPULATION TRENDS.

The introduction of restraints on rent increases will probably have a dampening effect on the production of rental accommodation. In considering this situation, we have concluded that it would be desirable to encourage the production of a lower proportion of rental accommodation in relation to other starts. As shown in Table 11-11, rental housing as a proportion of total production has declined from 60 to 36 per cent in recent years. Assuming a period of economic recovery and increased production, there should be a continuing trend towards ownership. Such factors as the growing acceptance of condominium ownership of apartments and townhouses, the production of smaller houses, and the public's desire to hedge against

GROWTH OF POPULATION AND HOUSING
STOCK, ONTARIO, 1961-1971
AND PROJECTED TO 1981

Table 11 - 10

	<u>1961</u>	<u>1966</u>	<u>1971</u>	<u>1976</u>	<u>PROJECTED</u> <u>1981</u>
Population	6,236,000	6,691,000	7,703,000	8,323,000	8,982,000
Increase Over Five-Year Period		725,000	742,000	620,000	659,000
Increase in Population Aged 0 to 14		196,000	4,000	-104,000	-61,000
Increase in Population Aged 15 and Over		529,000	738,000	724,000	720,000
Housing Stock	1,641,000	1,877,000	2,228,000	<u>ANNUAL STARTS</u> 2,664,000	80,000 100,000 3,064,000 3,164,000
Increase in Stock over Five-Year Period		236,000	351,000	436,000	400,000 500,000
Ratio of Increase in Population 15 and Over to Increase in Housing Stock		2.2	2.1	1.7	1.8 1.4
Persons per Housing Unit		3.7	3.5	3.1	2.9 2.8
Persons over 15 per Housing Unit		2.5	2.5	2.34	2.26 2.19

Sources: Population projections from the Ministry of Treasury, Economics and Intergovernmental Affairs. Past data from Statistics Canada, *Census Reports* for 1961, 1966, and 1971.

RENTAL AND OWNERSHIP COMPONENTS
OF HOUSING STOCK, ONTARIO, SELECTED
YEARS, 1961-1971 AND PROJECTED TO 1981
('000 UNITS)

Table 11 - 11

	<u>1961</u>	<u>1966</u>	<u>1971</u>	<u>1976</u>	<u>1981</u>
Total Dwellings	1,641	1,877	2,228	2,664	3,100
Ownership Units	1,157	1,260	1,400	1,676	1,985
Rental Units	484	617	828	988	1,115
Ratio of Rental to Ownership	29	33	37	37	36
Rental as a % of Total Units Produced in Previous 5 Years		57%	60%	36%	30%

Source: Statistics Canada, *Census Reports* for 1961, 1966, and 1971.

inflation through home ownership should encourage this trend. If a 70 per cent ownership target were maintained over the next decade, the Province would re-establish the split of two ownership units to every one rental unit that existed in 1966 (see Table 11-11).

The Committee recommends that:

- 11.23 THE GOVERNMENT SUPPORT THE INCREASED PRODUCTION OF OWNERSHIP UNITS, INCLUDING CONDOMINIUM APARTMENTS AND TOWNHOUSES, WITH A POSSIBLE TARGET BEING 70 PER CENT OWNERSHIP PER YEAR OVER THE NEXT FIVE YEARS.

At present, the Ministry of Housing is involved in the construction of approximately 12,000 socially assisted housing units. Through Home Ownership Made Easy (HOME) and the Ontario Housing Action Program (OHAP), it is supporting double this number of rental and ownership starts for persons with moderate incomes. The Ministry is also involved in land acquisition and development, as well as housing renewal projects. These programs are briefly described below, and proposals are made for the direction that should be taken by the Province in contributing to the future supply of housing.

Socially Assisted Housing. The Ministry of Housing constructs subsidized housing, with Central Mortgage and Housing Corporation (CMHC) providing 90 per cent of the loan financing and the Province the remainder. Operating losses are shared 50 per cent federally, 42.5 per cent provincially, and 7.5 per cent municipally.

As Table 11-12 shows, the total stock of socially assisted housing has increased by 76 per cent since 1971-72; and in 1975-76, the growth in new production is shifting away from student and family housing to accommodation for senior citizens.

The Province should attempt to ensure that approximately 10 per cent of future housing starts in Ontario will be provided for persons with low incomes. Existing programs to produce senior citizen, family, and cooperative housing should be continued, within the financial limits of existing cost-sharing arrangements with CMHC. In view of community resistance to family housing projects, increasing emphasis should be placed on the rent supplement program. A firm commitment should be obtained from the rental housing industry to increase the supply of units available by about 1,500 per year in order to double the supply of rent supplement units over the next three years.

Given these emphases for future activity, the Committee recommends that:

11.24 WITHIN EXISTING COST-SHARING
ARRANGEMENTS WITH CENTRAL
MORTGAGE AND HOUSING CORPORA-
TION, 10 PER CENT OF FUTURE
INCREASES IN HOUSING STOCK BE
MADE AVAILABLE TO PERSONS WITH
LOW INCOMES,

11.25 THE RENT SUPPLEMENT PROGRAM
OF THE MINISTRY OF HOUSING BE
GIVEN HIGHER PRIORITY AS A
MEANS OF INCREASING THE SUPPLY
OF HOUSING UNITS AVAILABLE FOR
LOW-INCOME FAMILIES,

SOCIALLY ASSISTED HOUSING, ONTARIO,
1971-72 AND 1975-76

Table 11 - 12

<u>Type of Accommodation</u>	<u>1971-72</u> (No. of Units)	<u>1975-76</u> (No. of Units)
Senior Citizen	9,700	25,700
Family	35,200	53,800
Rent Supplement	600	3,800
Student	4,000	4,000
Total	49,500	87,300
	Increase	- 76%

Financing (\$ Millions)

	<u>Prov.</u>	<u>Fed.</u>	<u>Prov.</u>	<u>Fed.</u>
Capital	22	159	54	136
Operating Loss	16	18	59	68

Source: Internal documents, Ministry of Housing.

11.26 THE EXISTING METHOD FOR
DETERMINING RENTS IN RENT-
GEARED-TO-INCOME HOUSING BE
RE-EXAMINED TO TAKE INTO
CONSIDERATION RECENT
INITIATIVES SUCH AS THE
GUARANTEED ANNUAL INCOME
SYSTEM AND TAX CREDIT
PROGRAMS,

Housing for Moderate-income Groups. In recent years, the Province has become significantly involved in the provision of rental and ownership housing for moderate-income groups. Low-interest funds are offered through HOME (9 3/4 per cent) and OHAP (10½ per cent). In addition, assistance amounting to \$1,500 per unit is provided to municipalities to reduce infrastructure costs in designated OHAP areas. The Province has also introduced a \$1,500 home-buyer grant to first purchasers of new or existing houses as a temporary measure to stimulate the housing industry.

The introduction of the tax credit to offset interest charges beyond 10½ per cent for all home-owners necessitates a full re-examination of provincial involvement in encouraging the production of moderate-income home-ownership units. The main advantage to the buyer comes from lower interest rates under existing programs. The tax credit initiative now effectively shelters the existing and potential home-owner, as well as the housing construction industry, from the disruptive effects of fluctuating interest rates.

Housing prices have remained relatively constant in the last year. At the same time, the industry is shifting its production to a concentration on smaller units. Smaller houses, level prices, and controlled interest rates, combined with rising incomes and an anticipated general recovery in the economy,

should lead to a greater demand for housing in the immediate future. The production of rental housing by the private sector may, however, be at a lower level than is desirable.

It is our view that the Ministry of Housing should become less heavily involved in the production of moderate-income housing and instead should place a greater emphasis on working with municipalities to provide sufficient serviced lands for new housing construction. The Ministry also should endeavour to ensure that sufficient housing starts are directed towards accommodating moderate-income families.

With respect to the involvement of the Ministry of Housing in moderate-income housing, the Committee recommends that:

- 11.27 IN VIEW OF THE INTRODUCTION OF TAX CREDITS TO OFFSET INTEREST CHARGES OVER 10½ PER CENT ON MORTGAGES, THE MINISTRY OF HOUSING PHASE DOWN ITS LOW-INTEREST FINANCING OF HOUSING STARTS THROUGH THE HOME OWNERSHIP MADE EASY PROGRAM AND THE ONTARIO HOUSING ACTION PROGRAM, WHILE SEEKING FIRM COMMITMENTS FOR INCREASED SUPPORT FROM LENDING INSTITUTIONS IN THE PRIVATE SECTOR.
- 11.28 THE \$1,500 HOME-BUYERS' GRANT BE PHASED OUT AT THE END OF 1975 AS ORIGINALLY ANNOUNCED.
- 11.29 THE INFRASTRUCTURE ASSISTANCE AVAILABLE TO MUNICIPALITIES

THROUGH THE ONTARIO HOUSING
ACTION PROGRAM BE RE-EXAMINED.

Infrastructure and Community Growth

The population of Ontario is now rising by less than 1.5 per cent annually, as compared with a growth rate of over 3 per cent in the 1950s and over 2 per cent in the 1960s. In many areas, including the centre of large urban communities, population is remaining relatively constant. There is a decline in the number of children attending elementary and secondary schools, yet requirements exist for new school places because of population shifts.

Currently, population growth is concentrated in the group aged 15 and over, resulting in increased pressures for housing and supportive infrastructure facilities. On the fringes of major urban areas, where community infrastructure must be provided, capital expenditures on schools, hospitals, arterial roads, and sanitary services represent an additional cost of \$10,000 per house to the Province and municipal governments combined. This added investment can be avoided by infilling of lands within municipalities where such support services are already available.

At present, there is no consistent basis for determining the extent of provincial capital assistance for schools, roads, and sanitary services. The Committee therefore recommends that:

- 11.30 THE EXISTING RATIONALE FOR
PROVINCIAL INFRASTRUCTURE
ASSISTANCE PROGRAMS BE
REVIEWED WITH THE AIM OF
PLACING THE FIRST PRIORITY

FOR SUPPORT ON MUNICIPAL
AREAS EXPERIENCING POPULA-
TION GROWTH AND REDUCING
THE LEVEL OF CONDITIONAL
GRANTS WHEREVER POSSIBLE.

- 11.31 THE MINISTRY OF HOUSING
CONDUCT STUDIES TO DETER-
MINE THE EXTENT TO WHICH
HOUSING INFILLING ON A
LIMITED BASIS IN AND AROUND
EXISTING MUNICIPALITIES CAN
BE ENCOURAGED TO AVOID THE
ADDED COSTS OF INFRASTRUCTURE
INVESTMENT.

LAND ACQUISITION

Over the past several years, provincial expenditures on land acquisition for various programs have averaged approximately \$200 million annually. The major expenditures have been for roads, housing, and new towns, including Pickering and Townsend, as well as acquisitions in the Parkway Belt and along the Niagara Escarpment (see Table 11-13). Recent expenditures on new towns and land preservation have exceeded \$350 million. Further major acquisitions can be anticipated in the Parkway Belt and the Escarpment, as well as for regular program purposes.

Current pressures for land acquisition are relatively strong, and they have important implications for future capital expenditures by the Province. We therefore urge that there be a thorough reappraisal of existing land acquisition policy.

Specifically, to reduce existing financial pressures for land acquisition, the Committee recommends that:

INVENTORY OF UNDEVELOPED LAND
HOLDINGS, ¹ ONTARIO

Table 11 - 13

	<u>Acreage</u>
Town and Industrial Park Sites (incl. lands surrounding Pickering townsite)	58,000
Parkway Belt West	20,000
Housing	21,000
Highway Development	34,000
Recreation (incl. Niagara Escarpment, Parks and Wildlife Management)	117,000
	<u>250,000</u>

¹Data are based on a survey of key ministries involved in land acquisition. Some portions of land included in this inventory are under development.

Source: Internal documents of various ministries of the
Ontario Government.

- 11.32 THE PROVINCE DISCONTINUE ALL
ADVANCE PURCHASING OF LAND
FOR VARIOUS PROVINCIAL
PROGRAMS, INCLUDING HOUSING
AND PARKS, AND LIMIT LAND
PURCHASES TO THOSE REQUIRED FOR
DEVELOPMENT IN THE SHORT TERM.
- 11.33 FOR MAJOR EXISTING PLANS
(INCLUDING THOSE FOR THE
PARKWAY BELT AND THE NIAGARA
ESCARPMENT) AND FUTURE PLANS
INVOLVING SIGNIFICANT LAND
PURCHASES, THE ACREAGES TO
BE ACQUIRED BE DETERMINED BY
REALISTIC CRITERIA RELATED
TO SPECIFIC IDENTIFIED NEEDS.
- 11.34 ALL EXISTING MAJOR LAND
HOLDINGS OF THE PROVINCE
THAT ARE NOT REQUIRED FOR
DEVELOPMENT IN THE NEAR
FUTURE BE RE-EXAMINED TO
SEE WHETHER OR NOT ALL OR
PART OF THESE HOLDINGS CAN
BE SOLD TO REDUCE PRESENT
CARRYING CHARGES AND
INCREASE PROVINCIAL REVENUES.

In conclusion, we wish to note that we have been impressed by the magnitude and variety of demands for capital investment in private sector support, institutional facilities, infrastructure investments, and land acquisition. Delaying needed capital investments compounds future problems as new demands materialize. There does, however, appear to be a need to re-examine priorities and funding support mechanisms, as suggested in our recommendations throughout this chapter, with a view to easing these pressures. A realistic three-year capital investment program should

be developed, placing priority on new capital investments that are needed to support population growth and to encourage increased economic activity.

CHAPTER 12

INSTITUTIONAL CARE

In 1975, nearly 112,000 people in Ontario are being provided with care in institutions that are either funded by, or operated and funded by the Province. This figure does not include individuals who are receiving active treatment care in general hospitals. The care is provided in nearly 3,000 facilities, including chronic hospitals, jails, correctional centres, training schools, nursing homes, homes for the aged, and group homes in the community. In all cases, people receive a basic level of care (food and lodging) and also special services -- medical psychological, educational, and social -- to suit their particular needs. Ontario's institutions directly employ close to 100,000 persons; and in 1975-76, the provision of their services will cost the Province about \$800 million and other sectors \$50 million.

Historically, the Province undertook to provide custodial care for people who were judged to require removal from the community at large: those in conflict with the law; those suffering from mental diseases or disorders; and those who were mentally retarded. Other forms of institutional care were provided by municipalities, volunteer agencies, and the private sector through orphanages, homes for the aged, nursing homes, and similar facilities. Over time, the scope and quantity of institutional care provided have increased, reflecting in part new attitudes to existing programs and in part the introduction of new programs to fulfill unmet needs. Subsequently, escalating costs have forced the Government to increase and extend its funding of institutional care, while changes in philosophy have given rise

to community-oriented programs, which have tended to promote a decline in the provision and use of custodial care. Some custodial institutions, however, have provided a base of staff support for programs operated in the community, such as out-patient services.

EXISTING SERVICES

Institutional care programs share a common feature: they meet their clients' basic need for shelter, food, and clothing. Beyond this point of similarity, they vary widely, particularly with respect to program content - the reason for their existence. To facilitate our review of the broad spectrum of programs available, we have classified them under the following categories of more or less similar service components or client groups:

- adults;
- children and youth;
- day care for children;
- adults in conflict with the law;
- psychiatric services; and
- retardation services.

Specific programs within these categories are described in the pages that follow.

Adults

Services provided within this group range from chronic hospital treatment to after care in group homes. The largest components in the group are nursing homes and homes for the aged, providing services to the elderly (including the extended care program). Table 12-1 shows the annual cost per person of providing services

ANNUAL COST PER PERSON OF
PROVIDING INSTITUTIONAL
CARE FOR ADULTS, ONTARIO, 1975

Table 12 - 1

<u>Type of Facility</u>	<u>Annual Cost Per Person</u>
Chronic Hospitals	\$13,000
Nursing Homes	\$ 7,300
Homes for the Aged	\$ 5,400
Homes for Special Care	\$ 3,000
Home for the Retarded (Adults)	\$ 6,600
Adult Group Homes	\$ 5,000

Source: Documents prepared by various ministries of the
Ontario Government.

through the various kinds of facilities.

Over the past five years, the number of places provided in homes for the aged and nursing homes has increased from 45,000 to 52,000. The future will see significant growth not only in the numbers of persons over 65, but also in their proportion of the total population. In view of the strong social and financial pressures that exist to provide for the institutional needs of this client group, as well as the increasing cost of doing so (expenditures in this area have risen by 50 per cent since 1970), the provision of services in these facilities could cost the Province an additional \$385 million over the next five years.

The costs borne by recipients of these services vary substantially, even though all receive a basic level of care and the program content of the several facilities is generally similar. Current charges levied in three types of institutions are shown in Table 12-2.

As a result of these variations in financing, many anomalies exist. For example, a chronic care patient pays nothing for the services provided, even though he/she may be receiving OAS/GIS/GAINS payments of \$256 per month. If this person becomes a nursing care patient in a home for the aged, he/she pays \$5.90 per day for services, leaving \$79 per month for personal comforts. Other, healthier residents of the same home for the aged receiving OAS/GIS/GAINS payments surrender these totally in return for a comfort allowance of \$43 per month.

There is little cross-referral between institutions for adults. Each facility tends to operate within its own program definition and under separate provincial legislation. Cases occur where chronic patients are kept in active treatment hospital beds because of an immediate

DAILY CHARGES PER PERSON IN
SELECTED INSTITUTIONS FOR
ADULTS, ONTARIO, 1975

Table 12 - 2

<u>Type of Facility</u>	<u>Daily Charges</u>
Chronic Hospital Care	Nil
Nursing Home (Extended Care)	\$5.90 per day
Homes for the Aged (Not Extended Care)	average of \$12.00 per day (full cost)

Source: Documents prepared by various ministries of the
Ontario Government.

local shortage of nursing home beds. At the same time, a nearby home for the aged may have vacancies which it does not wish to fill with persons requiring nursing care. Encouraged by legislation, facilities are able to select or reject clients according to their perception of their role and their interpretation of the services needed.

All the facilities within this institutional group function under standards that are set by the Province. Over time, these standards have been developed and refined to reflect the particular focus of specific legislation. Consequently, they may not only raise the cost of care, but also prevent or inhibit the introduction of cost-effective programs. For example, a group home wishing to look after a small number of people with a chronic illness, at less cost than a chronic hospital, finds it cannot be funded because it does not meet the provincially established fire and safety standards that were designed for large institutions, even though it may meet those for an ordinary house.

Children and Youth

Institutional services for children and youth are provided through several types of facilities, as listed in Table 12-3. The cost per person covers a very wide range, depending on staff:client ratios and the level of service required. In most cases, no costs are borne by parents, for even the basic level of care.

There is a strong similarity in the content of services provided to children within this group, with the exception of the special needs of the deaf and blind. At the point of contact between care workers and children, the work content and the methods used are

ANNUAL COST PER PERSON OF
PROVIDING INSTITUTIONAL CARE
FOR CHILDREN AND YOUTH, ONTARIO, 1975

Table 12 - 3

<u>Type of Facility</u>	<u>Annual Cost Per Person</u>
Children's Mental Health Centres	\$ 23,000
Children's Institutions	\$ 8,900
Charitable Institutions	\$ 4,500
Children's Aid (Residential)	\$ 10,900
Homes for the Retarded (Children and Youth)	\$ 8,700
Boarding Homes	\$ 10,800
Training Schools	\$ 21,000
Juvenile Group Homes	\$ 7,400
Schools for Deaf/Blind	\$ 9,900
Juvenile Detention Centres	\$ 6,600

Source: Documents prepared by various ministries of the
Ontario Government.

distinguishable by differing philosophies, but little else. There has, however, been no consistent definition of needs for this client group to permit estimation of the volume of services required now or in the future. What is known is this:

- The number of children under 16 represents nearly 30 per cent of Ontario's population.
- Institutional places (excluding day care) are provided at the rate of one per thousand total population, as against six and a half per thousand for the elderly.
- Places are generally provided only for those with a detected behaviour problem that has developed to a point where it warrants special treatment. A large segment of the potential client group may remain undetected and/or untreated until their problems become serious.
- The school system is the one place where maximum capacity for early detection and treatment exists, such that referral to costly institutional treatment could be prevented.
- The abolition of Section 8 of the Training Schools Act will increase the pressures for the provision of the community-oriented services.
- A current federal government proposal to remove children aged 7-13 from application of criminal legislation will increase pressure for even more

community-oriented services. A companion proposal to raise the age of minority from 16 to 18 will in turn lead to increased pressure for both custodial and residential care.

There is little cross-referral between facilities in this group; in fact, there is considerable competition for clients. More often than not, this competition takes the form of rejection of a child with severe problems. Eventually, the only type of care available to the child may be that provided by a custodial institution; or, more likely, the child will receive no treatment at all. The result is that the provision of a particular treatment mode for a given child is almost purely random. A child needing care at the level of \$100 per day may receive care costing \$40 per day. Conversely, a child needing care at \$40 per day may receive care at the \$100 level.

Legislation for facilities in this group is contained in 11 different Acts administered by five different ministries. This complex structure compounds the problem of ensuring that the level and type of service provided are appropriate, that costs are kept under control, and adequate standards of service are maintained.

Day Care for Children

Day care services for children constitute a separate area of concern. With the ever-increasing number of working mothers in the labour force, more and more day care is being demanded and provided. Currently, day care is provided through three types of facilities or programs: junior and senior kindergarten, day care centres, and care in a private home. The Province regulates and funds kindergartens through the Ministry of Education. It also licenses, regulates,

and sometimes subsidizes day care centres in conjunction with municipalities. It does not, however, license, regulate, or subsidize private care.

Over the past five years, the number of subsidized places in day care centres has more than doubled from 7,000 to 16,000, and the cost to the Province of providing them has risen from \$3 million to \$16 million. These increases reflect, in part, the impact of the philosophy that day care services fulfill an educational need rather than a care need. Ultimately, this view can only lead to even higher costs to individuals, to municipal governments, and to the Province. The requirement for professionally trained staffs to support educationally oriented programs will affect both the salaries paid and the number and quality of staff engaged in providing such services.

Adults in Conflict with the Law

The range of services provided for adults in conflict with the law encompasses group homes, correctional centres, jails, and detention centres. The annual cost of operating these services per person is shown in Table 12-4.

The intake to the correctional system has increased over the past five years at a rate of 11 per cent per annum. At the same time, the actual supply of places has decreased from 5,700 to 5,000, reflecting a growing emphasis on probation, parole, and the use of community residences. Accordingly, surplus capacity has arisen in institutions, even though there are wide seasonal variances in use that lead to the maintenance of a larger number of places than more consistent use would require.

The requirement for any level of penal services in the Province is integrally linked with federal needs

ANNUAL COST PER PERSON OF PROVIDING
INSTITUTIONAL CARE FOR ADULTS IN
CONFLICT WITH THE LAW, ONTARIO, 1975

Table 12- 4

<u>Type of Facility</u>	<u>Annual Cost Per Person</u>
Jails and Detention Centres	\$ 8,900
Adult Correctional Centres	\$ 14,300
Community Resource Centres (Group Homes)	\$ 5,500

Source: Documents prepared by various ministries of the
Ontario Government.

through the functioning of the provincial courts. It is an historic fact that an arbitrary sentence level of two years less one day, or less, directs inmates to provincial rather than federal institutions. Similarly, any changes in federal parole/remission systems will have a direct impact on provincial systems, either increasing or decreasing the need for institutional care, depending on the form the changes take.

Being sent to jail is habit forming; almost two-thirds of the penal population at any given time is comprised of repeat offenders. If inmates, on release, are unable to find suitable work to match their capabilities, they are likely to return to the system.

The Province pays the total cost of institutional care, except that a small portion is offset by the sale of certain products manufactured by inmates of the institutions.

Psychiatric Services

Psychiatric services take the form of custodial care in psychiatric hospitals, active treatment in general and community hospitals, and after care in approved homes, workshops, and therapy groups. In 1975, the annual cost per patient of these services, including out-patient costs, was \$28,700 in psychiatric hospitals and \$19,400 in general and community hospitals.

Notwithstanding the general assumption that mental disease and mental disorders are increasing, the in-patient population in psychiatric hospitals has declined markedly in recent years. This is due to many factors, but most important are changes in treatment methods and in attitudes towards mental disease and disorders as reflected in legislation. As a result of these changes, the psychiatric hospitals operated

by the Province show significant surpluses in capacity, currently averaging about 25 per cent. In addition, the remaining in-patient population is aging and, to an increasing degree, requires chronic residential care. These services could be provided in other settings, such as group homes. It is estimated that nearly half of the in-patients could benefit from a group home environment. The potential surplus capacity could therefore rise to about 50 per cent.

The staff:patient ratio in psychiatric hospitals has continued to increase as a direct function of the declining in-patient load. At the same time, the hospitals have expanded community-oriented services, such as after care and out-patient services, using existing staff to perform these functions. It is noted that staff costs have recently accounted for a greater proportion of total costs, increasing over the past four years from 85 per cent to 87 per cent.

Recipients of institutional psychiatric services are not required to contribute to the cost of their care, with the exception of some individuals who are placed in group homes. The federal government has never shared the cost of psychiatric care, except in general hospitals, since it has always been considered a provincial responsibility.

Retardation Services

Retardation services range from custodial care in larger institutions to special wards in psychiatric hospitals and specialized residences in communities. In 1975, the annual cost per person is \$16,700 in retardation facilities and \$15,400 in units in psychiatric hospitals and community residences.

Institutions for the retarded have traditionally been relatively large and remote from major population

centres, reflecting, in part, past social attitudes. Severe overcrowding has been endemic. There are no measures that can indicate firmly what the potential demand for services may be, but the following factors are relevant:

- The incidence and severity of retardation may be declining as a result of better nutrition, genetic testing and counselling, and medical intervention.
- The prevalence of retardation may be increasing as a result of improved medical and care measures: more retarded infants live, and live longer.
- A large number of retarded persons in the community are being cared for at home.
- Retardation is a term that covers a wide spectrum of conditions, some of which are now diagnosed more appropriately as behavioural problems that can be treated.

The policy to direct the care of retarded persons to community-oriented programs reflects changing social attitudes. Programs to improve the level of functioning of the retarded through developmental care will of necessity be more expensive than the custodial care that has been provided in the past. On the other hand, by continuing to provide developmental programs and by moving patients from institutions to community-based residences, a reduction of up to 40 per cent in the present in-patient load could be achieved in custodial facilities. This, in turn, could offset costs.

Parents of retarded persons have not always been aware of the cost of care, since there has generally

been no charge for services. In some instances, under present arrangements, the federal family allowance received on behalf of a retarded child is retained by the parent, even when full care is provided by the Province.

OPPORTUNITY FOR CHANGE

If current trends in the provision of institutional care continue without change over the next five years, the Province will be providing services for 11,000 additional places, at an extra cost of \$700 million, for a total cost to the public of nearly \$1½ billion. Clearly, less costly alternatives should be sought. When existing facilities are viewed as a total system, there is evidence that marked improvements could be made in both the effectiveness and efficiency of programs, and that other measures could aid in decreasing costs.

Program Effectiveness and Efficiency

The existence of many Acts, regulations, and standards for institutional care tends to perpetuate rigidities in the system, so that cross-servicing to meet needs is not always undertaken. This can only add to the costs of providing services. At the same time, as noted earlier, standards that do exist often act as barriers to the funding of less costly programs. The Committee recommends that;

- 12.1 A REVIEW OF LEGISLATION, REGULATIONS, AND STANDARDS BE UNDERTAKEN WITH A VIEW TO DEVELOPING A CONSISTENT BASIS FOR PROVIDING CARE AND REMOVING BARRIERS TO THE

DEVELOPMENT AND OPERATION OF COST-EFFECTIVE PROGRAMS.

Of equal concern is the lack of defined standards and levels of care for such groups as children and youth, and the almost total lack of coordinating mechanisms to ensure the admission of people to appropriate services and to ensure that all services are appropriately used. The Committee therefore recommends that:

- 12.2 WHERE DEFINED STANDARDS AND LEVELS OF CARE DO NOT NOW EXIST, SUCH DEVELOPMENT BE UNDERTAKEN WITH A VIEW TO PROVIDING FUNDING THAT IS APPROPRIATE TO NEEDS, AND COORDINATING MECHANISMS BE DEVELOPED AND INSTITUTED TO ENSURE THE ADMISSION OF PERSONS TO THE APPROPRIATE INSTITUTIONAL CARE SERVICES.

Staffing

We have noted the lack of defined staffing standards for some facilities in the institutional care system that are funded, but not operated, by the Province. As a result of the lack of control over staffing, there is evidence of wide disparities in the level of service provided and significant increases in numbers and costs over recent years. An example of increasing numbers, and thereby costs, coincidental with a declining workload, can be seen in Children's Aid Societies, where there has been a decrease of 6 per cent in the number of cases handled

and in increase of 9.5 per cent in staff numbers between 1971 and 1975 (see Table 12-5).

Similar patterns exist in other components of the institutional care systems, indicating declining productivity in the use of manpower. We believe that staffing standards should be defined for programs funded by the Province and that efforts should be undertaken to establish funding levels consistent with such standards. The Committee therefore recommends that:

- 12.3 STAFFING STANDARDS BE ESTABLISHED FOR INSTITUTIONAL CARE PROGRAMS FUNDED BUT NOT OPERATED BY THE PROVINCE, AND A STUDY BE UNDERTAKEN TO IDENTIFY AREAS WHERE OPERATING COSTS CAN BE REDUCED WITH PARTICULAR ATTENTION TO STAFF NUMBERS. THE OBJECTIVE SHOULD BE TO IMPROVE EFFICIENCY AND REDUCE COSTS BY 10 PER CENT, EXCLUDING THE EFFECTS OF INFLATION.

We have also noted that similar staffing trends have emerged in institutional care programs operated by the Province. For example, there have been increases in staff but a decline in numbers of persons under care in schools for the deaf and blind, adult correctional facilities, and juvenile correctional facilities (see Table 12-6). In psychiatric hospitals, there has been a relatively small decline in staffing and a marked decline in numbers of in-patients. In all of these cases, the institutional staff have taken on additional functions such as out-patient care, after care, and community-oriented care. Such additional work does not, however, fully offset the decline in manpower productivity.

AVERAGE MONTHLY CASELOAD AND
 NUMBERS OF STAFF EMPLOYED,
 CHILDREN'S AID SOCIETIES, ONTARIO,
 1971 AND 1975

Table 12 - 5

<u>Monthly Average Cases</u>	<u>1971</u>	<u>1975</u>	<u>Percentage Change</u>
Children in Care	16,620	13,249	-20.3%
Prevention	11,913	14,587	22.4
Unmarried Parent	<u>3,709</u>	<u>2,481</u>	<u>-33.1</u>
Total	32,242	30,317	- 6.0
 <u>Staff Numbers</u>			
Social Workers	1,281	1,416	10.5
Institutional Staff	332	414	24.7
All Others	<u>1,072</u>	<u>1,111</u>	<u>3.6</u>
Total	2,685	2,941	9.5
 Staff per Thousand Cases	 83.3	 97.0	 -

Source: Ministry of Community and Social Services.

STAFFING OF SELECTED PROVINCIALY
OPERATED INSTITUTIONAL CARE FACILITIES,
ONTARIO, 1970 AND 1974

Table 12 - 6

<u>Type of Facility</u>	<u>1970</u>	<u>1974</u>	<u>Percentage Change</u>
<u>Psychiatric Hospitals</u>			
Number of In-Patients	6,570	5,010	-23.2%
Number of Staff	10,902	10,084	- 7.5
Staff:Patient Ratio	1.67	2.0	-
<u>Schools for the Deaf and Blind</u>			
Number of Students	1,232	1,166	- 5.3
Number of Staff	744	868	16.7
Staff:Student Ratio	0.60	0.74	-
<u>Adult Correctional Facilities</u>			
Number of Residents	5,770	4,834	-16.2
Number of Staff	2,819	3,039	7.8
Staff:Resident Ratio	0.49	0.63	-
<u>Juvenile Correctional Facilities</u>			
Number of Residents	1,557	1,120	-28.1
Number of Staff	767	1,061	38.3
Staff:Resident Ratio	0.49	0.95	-

Source: Documents prepared by various ministries of the
Ontario Government.

We estimate that the staff of provincially operated institutions could be reduced by about 1,500 after due account is taken of the additional services rendered through out-patient, after care, and community-oriented services. Accordingly, the Committee recommends that:

12.4 A REDUCTION OF 1,500 STAFF
 BE UNDERTAKEN IN INSTITUTIONS
 OPERATED BY THE PROVINCE.

Surplus Capacity

We have found that surplus capacity exists in some facilities within the institutional care system. These surpluses are of three types: those that currently exist, those that potentially exist, and those where places may be in use but are in excess of provincial standards. In one form or another, the Province pays for the construction and operation of the facilities and should expect that they will be used to the maximum, or not used in excess of the provincial standard under which they are provided.

As suggested earlier, a surplus capacity exists in psychiatric hospitals in that, while essentially the same physical plant exists today as existed 10 years ago, in the past five years the number of in-patients under care has declined by almost 25 per cent. Some of this surplus has been taken up by such measures as reducing overcrowding, closing wards, improving services to patients, and undertaking more out-patient care and after care. To the extent that surplus physical plant requiring maintenance continues in operation, and to the extent that abnormally high staff:patient ratios continue

to exist, cost savings can and should be made. A proposal to reduce staffing is contained in recommendation 12.4, but further action should be taken to reduce the amount of physical plant that is operated by the Province. The Committee therefore recommends that:

- 12.5 WHERE SURPLUS CAPACITY EXISTS IN INSTITUTIONS OPERATED BY THE PROVINCE, ACTION BE TAKEN TO CONVERT FACILITIES TO ALTERNATIVE USES BY OTHER POTENTIAL CLIENTS OR AGENCIES, INCLUDING OTHER GOVERNMENTS; TO CLOSE OUT PORTIONS OF EXISTING PHYSICAL PLANT; OR TO CLOSE FACILITIES IF SUCH ACTION IS WARRANTED.

Potential surpluses exist in institutions where the persons under care could benefit from treatment in another environment. Up to 50 per cent of patients currently in psychiatric hospitals are potential candidates for group home living, if sufficient places are provided for them. Similarly, up to 40 per cent of the persons currently in retardation facilities can benefit from developmental programs in the community, if sufficient places are made available. By expanding group home or community living opportunities, further surplus capacities would be created which could, in turn, be rationalized. The Committee recommends that:

- 12.6 THE SUPPLY OF GROUP HOMES AND ALTERNATIVES TO INSTITUTIONAL CARE BE EXPANDED AND, WHERE SURPLUS CAPACITIES ARISE IN INSTITUTIONS AS A RESULT OF THE EXPANDED SUPPLY OF GROUP HOMES, SIMILAR ACTION BE

UNDERTAKEN TO THAT PROPOSED
IN RECOMMENDATIONS 12.4
AND 12.5.

Provincial standards exist for the supply of chronic hospital care, nursing home care, and homes for the aged, as well as for active treatment care in general hospitals. At this time, the supply of places is in excess of the provincial standard for all but homes for the aged. There are, however, significant pressures to expand the number of places available because, in some cases, there is an imbalance in the distribution of services. We believe that, notwithstanding pressures for expansion, the cost to the Province of such action is justifiable only to the extent that every place that can be used is used appropriately. There is evidence that this is not now the case. For example, waiting lists exist for nursing home beds, while homes for the aged may have vacancies. In addition, there is a surplus of active treatment beds in general hospitals not being used for chronic or nursing care patients. Accordingly, until it is demonstrated that all surplus capacity is used, a pause in the provision of additional places in chronic, nursing, and aged care facilities is warranted.

The Committee recommends that:

- 12.7 FOR THE NEXT THREE YEARS,
 ANY ADDITIONAL PLACES REQUIRED
 FOR CHRONIC, NURSING, AND AGED
 CARE BE PROVIDED FROM WITHIN
 THE EXISTING SUPPLY OF INSTITUTIONAL
 AND TREATMENT FACILITIES AND NOT BY
 NEW CONSTRUCTION.

Financing

Charges are not always imposed for the use of institutional care services; moreover, where they do exist, there is little consistency in their application. Present policies on this question have developed over time to reflect what probably was once a reasonable approach to particular problems. When the system is viewed as a whole, however, many anomalies are revealed that tend to be destructive of past rationales.

Recipients of institutional services are provided with basic care (food and lodging) and special program services as may be necessary to their particular case. If they remained outside the institutional group, they would be expected to provide for these needs from their own personal income, except to the extent that public policy has been established to the contrary (as, for example, through medicare and active treatment hospital services). Compounding the problem is the fact that in many programs non-institutional alternatives either do not exist or are financially unattractive.

While the case for a policy of adequate income is presented elsewhere in this report, we would like to emphasize here that such a policy would permit a choice between non-institutional alternatives and would thereby ease the pressure for institutionalization. To the extent that institutionalization is either requested or required, charges should be levied to cover not only the basic level of care, but also program-related services, except those that are provided free as a result of explicit public policy.

The Committee recommends that:

- 12.8 CONSISTENT CHARGES BE LEVIED
 FOR INSTITUTIONAL CARE, FOR
 BOTH BASIC CARE (FOOD AND
 LODGING) AND PROGRAM SERVICES.

Federal cost sharing in institutional services is diversely applied, because it has been developed to meet particular needs in particular programs. For example, an aged resident of a psychiatric hospital does not qualify for cost sharing, but a senile resident of a home for the aged does. It is our view that, where financial need can be demonstrated and where public policy has established that services are free, cost sharing could be sought for both basic care and program content costs. The Committee therefore recommends that:

- 12.9 FEDERAL COST SHARING BE
 SOUGHT FOR INSTITUTIONAL
 CARE, AS PART OF A TOTAL
 INCOME MAINTENANCE POLICY.

The provision of community-oriented institutional care is in some cases totally a provincial function and in others a shared responsibility with municipalities, although no such program can be instituted without local government cooperation. The result, as discussed earlier in this chapter, is a welter of disparate services, not adequately regulated and lacking any coordinating mechanisms to ensure appropriate use. The funding

of facilities takes two different forms: in some cases, per diem rates are paid; in other, a budget approach is taken but with differing levels of provincial, municipal, and even private support. Funding arrangements should be made consistent for community services and should be related to the needs of persons under care. In addition, municipalities should have a role in providing all such services. The Committee therefore recommends that:

- 12.10 COMMUNITY-BASED INSTITUTIONAL CARE BE FUNDED ON A BUDGET BASIS, AND MUNICIPALITIES BE FUNDED ON A GLOBAL BUDGET BASIS FOR PROVIDING COMMUNITY-BASED INSTITUTIONAL CARE THAT MEETS CLEARLY DEFINED STANDARDS.

Psychiatric hospitals and correction centres manufacture or produce certain goods as part of their therapy and rehabilitation programs. At this time, both the range of products and the marketing of them are limited, even though their sale derives revenue. The range of products could be extended and restrictions on their sale be relaxed, to derive even greater revenue. The Committee therefore recommends that:

- 12.11 THE RANGE OF PRODUCTS MANUFACTURED IN CUSTODIAL INSTITUTIONS BE EXTENDED AND RESTRICTIONS ON COMMERCIAL SALE RELAXED.

Day Care

The current trend in the provision of day care services is towards highly specialized, high-cost staffing. This inevitably will increase the unit cost of programs. An effective day care system should be developed that does not embody these high-cost features, which have demonstrably escalated public spending in other areas. The qualifications and numbers of staff should be kept within reasonable limits. Moreover, effective, high-quality day care programs can and should be developed using the assistance of senior citizens, part-time employees, and volunteers, to supplement the services of full-time professional staff.

The Committee believes that day care should be recognized as part of the educational process and should be available, at reasonable cost, to working parents who wish to avail themselves of it. Since the Government now provides optional, highly specialized education at the post secondary level, the Committee considers that the necessary resources for day care should be derived from a reconsideration of priorities within the education system.

The Committee recommends that:

- 12.12 DAY CARE BE RECOGNIZED AS PART OF THE EDUCATIONAL PROGRAM OF THE PROVINCE AND BE MADE AVAILABLE AT REASONABLE COST TO WORKING PARENTS WHO MAY WISH TO AVAIL THEMSELVES OF IT; AND THE PROVINCE'S PORTION OF THE FUNDING BE PROVIDED THROUGH A REALLOCATION OF PRIORITIES WITHIN THE EDUCATION SYSTEM.

Corrections

Although we recognize the close federal-provincial interrelationships that exist in the judicial system, we are concerned with the following aspects of present arrangements:

- the arbitrary determination of jurisdiction on the basis of length of sentence;
- the possibility of unilateral moves on the part of either party that could suddenly shift requirements for services; and
- the knowledge that the federal government is currently seeking to acquire new correctional facilities, even though surpluses exist in similar provincial facilities or other potentially surplus facilities (such as psychiatric hospitals) that could be made available for this purpose.

The Committee recommends that:

12.13 IN CLOSE COLLABORATION WITH
FEDERAL AUTHORITIES, THE
ROLE OF THE PROVINCE IN
PROVIDING CORRECTIONAL
SERVICES BE RE-EXAMINED,
WITH A VIEW TO ELIMINATING
ARBITRARINESS AND THE
POSSIBILITY OF SUDDEN SHIFTS
IN SERVICE REQUIREMENTS.

12.14 DISCUSSIONS BE INITIATED
WITH THE FEDERAL GOVERNMENT,
WITH A VIEW TO DETERMINING

WHETHER OR NOT ANY SURPLUS
OR POTENTIALLY SURPLUS PHYSICAL
PLANT (SUCH AS PSYCHIATRIC
HOSPITALS) COULD BE USED TO
MEET FEDERAL PENAL NEEDS.

CHAPTER 13

ADMINISTRATION OF JUSTICE

We have examined the Ontario justice system with a view to identifying and assessing cost-saving alternatives to present procedures; and in general, we have concluded that relatively little opportunity exists for substantial cost saving. The well-established traditions of the justice system and their necessarily legal-technical nature preclude our making definitive recommendations in many of the areas brought to our attention. We would, however, encourage the ministries concerned to proceed with the effectiveness studies that have already been initiated to explore and expand the application of more effective methods of accomplishing program objectives.

To put our comments into perspective, it is important to note that the justice area is labour intensive. Although it employs 25 per cent of the Ontario Government's manpower, its budget accounts for less than 5 per cent of total provincial expenditures.

In administering the justice system a proper balance must be struck between preserving individual freedom and ensuring the protection of society. Also, it is necessary to determine the extent to which society must tolerate crime in its midst. It is estimated that only 50 per cent of all offences come to the attention of the police; of these, only about 13 per cent proceed to court; of these, 80 per cent result in convictions; and finally, 20 per cent of all convicted offenders are sent to prison.

Our discussion of the justice system is organized into six main areas of activity:

- courts administration;
- legal aid;
- regulation of commercial transactions;
- probation, parole, and after-care services;
- policing; and
- police training.

COURTS ADMINISTRATION

In examining the administration of the court system, we have observed that there may be a tendency to apply the full weight and majesty of the judicial process to a wide range of offences, not all of which warrant the expensive and time-consuming procedures traditionally used. Some initiatives have already been taken to classify offences and deal with different classifications in different ways. An example of this procedure is the use of a new traffic offence tribunal system that deals primarily with offences under The Highway Traffic Act. The procedure may be less formal and less structured than that of the traditional courts and might result in lower costs and improved use of resources. At the same time, use of this alternative process might produce savings by reducing the regular caseload of the courts.

In addition, some social problems - particularly certain summary offences - might be effectively dealt with outside the legal-judicial framework. We

recognize that there are significant cost implications associated with the suggestion that minor offences be handled by means of an alternative tribunal system; thus, the costs and benefits of such an arrangement should be carefully analyzed before it is implemented province-wide.

Related to the objective of streaming the caseload of the courts is a practice currently being tested in which Justices of the Peace rather than fully qualified judges deal with remands. This procedure has the effect of restricting the matters coming before the court to those cases that can be dealt with immediately. It should result in more efficient handling of the caseload and at the same time make more effective use of the human resources available than is possible under the present system.

The Committee recommends that:

13.1 THE CONCEPT OF CLASSIFYING
CASES BE FULLY EXPLORED,
WITH A VIEW TO ENSURING
APPROPRIATE AND EFFECTIVE
USE OF JUSTICE RESOURCES
FOR EACH CATEGORY OF
OFFENCES.

A number of proposals have been put forward for improving the efficiency and general administration of the courts. One possibility is the increased use of lay administrators. This is done in the Small Claims Courts, which provide convenient methods of deciding minor civil cases. This initiative, however, may be restricted to some extent by the fundamental constitutional principle of the independence of the judiciary.

Another development is the increased use of automatic data processing as an aid to court management and case scheduling. An example is found in the County of York criminal case scheduling system. Provided that this type of mechanization is cost effective, its application should be extended.

The Committee recommends that:

- 13.2 CONTINUED EFFORTS BE
MADE TO IMPROVE EFFI-
CIENCY OF COURT
ADMINISTRATION THROUGH
SUCH MEASURES AS IN-
CREASING THE USE OF
LAY PERSONNEL AND
TAKING FULL ADVANTAGE
OF AUTOMATIC DATA
PROCESSING.

LEGAL AID

Legal aid was introduced in 1966 and is administered under agreement with the Province by the Law Society of Upper Canada. For the most part, the Ontario Legal Aid Plan uses lawyers in private practice who are reimbursed for 75 per cent of their fees, as amended by the Taxing Officer. Aid may be given to qualifying persons in respect of a wide variety of court proceedings and for drawing legal documents, negotiating settlements, and giving advice.

The total annual cost of the plan has now exceeded \$19 million, an increase of \$5 million since 1973-74. Of this amount, \$16 million is funded by the Province, \$1.5 million is met out of interest on

trust accounts (an innovation in 1975-76), and another \$1.5 million is expected to be recovered from clients. Federal government reimbursements to the Province for this program will approximate \$4 million in 1975-76. These costs have caused us concern about the future growth of the system and any expansion of it to cover a wider range of cases.

Three criteria govern the granting of legal aid to an applicant:

- Does the case fall within the definitions set out in the Legal Aid Plan?
- Does the case have merit?
- Does the applicant meet the standards of financial eligibility specified in the Legal Aid Plan?

Each of these criteria, and the provisions of the Plan, should be reviewed in the light of current use of legal aid and the cost implications of such use. Perhaps, for example, less emphasis should be placed on divorce and civil cases.

The Committee recommends that:

- 13.3 THE MINISTRY OF THE ATTORNEY GENERAL REVIEW THE LEGAL AID PLAN WITH A VIEW TO LIMITING ITS EXPANSION AND EXPLORE POSSIBLE ALTERNATIVES FOR THE DELIVERY OF LEGAL AID.

There have been and continue to be substantial write-offs of client contributions. Although every attempt is made to collect these agreed contributions from clients, from the time the Plan was introduced until March 1974, approximately \$318,000 has been written off. In addition, contributions estimated at \$4.3 million, which cover the period from commencement of the Plan until January 1, 1972, appear to be uncollectable. Since the amount of assistance given is related to the financial resources of the client, there appear to be some grounds for a closer examination of the process for recovery of amounts due.

The Committee recommends that:

- 13.4 APPROPRIATE STEPS BE
 TAKEN TO IMPROVE THE
 MACHINERY FOR THE
 RECOVERY OF CLIENT
 COSTS AND AWARDS
 UNDER THE ONTARIO
 LEGAL AID PLAN.

The interest accrued on lawyers' trust accounts, which is collected by the Law Society Foundation and applied against the operations of the Legal Aid Plan, should be remitted at more frequent intervals to maximize the benefits from this source.

The Committee recommends that:

- 13.5 ALL APPROPRIATE INTEREST
 PAID ON LAWYERS' TRUST
 ACCOUNTS BE TRANSFERRED PROMPTLY
 TO THE ONTARIO LEGAL
 AID PLAN.

- 13.6 THE GOVERNMENT CONSIDER
GIVING THE MINISTRY OF THE
ATTORNEY GENERAL SUFFI-
CIENT POWERS TO ENABLE
IT TO STRENGTHEN ITS
CONTROL OVER THE
FINANCIAL AND ADMINIS-
TRATIVE ASPECTS OF THE
ONTARIO LEGAL AID PLAN.

REGULATION OF COMMERCIAL TRANSACTIONS

The Ministry of Consumer and Commercial Relations strives to maintain a sense of order and fairness with respect to commercial transactions affecting consumers and investors. The technique commonly used is a system of registration or licensing, with attendant responsibilities being assumed by the registrant to comply with appropriate regulations pertaining to his trade or industry.

The regulation of commercial activities can be accomplished by one of the following three alternatives:

- self-regulation by the trade or industry;
- regulation by another level of government; and
- direct provincial regulation.

We are concerned with the question of whether or not fees collected from the regulated industry actually cover the cost of providing the service. We note that the purpose of collecting the fee is not only to cover costs, but also to provide an appropriate level of control; that is, the level of the fee itself has an impact on the ease of entry into an industry. But regardless of this

latter function, we are of the opinion that regulatory activities should be self-supporting.

In a number of activities, expenditures are not covered by revenues. Moreover, in an analysis of related programs, it is notable that whereas revenues exceeded expenditures by \$3.8 million as at March 31, 1973, the spread at year-end March 31, 1976 is estimated to be only \$2.5 million (see Table 13-1). This net decline appears to warrant a closer examination of the Ministry's programs. More specifically, from a detailed study of the Commercial Standards and Technical Standards programs (see Table 13-2), it appears that expenditures exceed revenues in 1975-76, and this represents an increase in net cost over 1972-73.

The Committee recommends that:

- 13.7 A REVIEW BE UNDERTAKEN OF FEES IN THE COMMERCIAL STANDARDS PROGRAM AND THE TECHNICAL STANDARDS PROGRAM OF THE MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS WITH A VIEW TO RECOVERING COSTS.

It may be appropriate to encourage some of the industries or professions now regulated by the Province to regulate themselves. It should be noted that in several areas the Ministry of Consumer and Commercial Relations has already taken the initiative in this respect.

In addition, several activities in the Technical Standards Program appear to lend themselves to transfer to the private sector through the process

ANALYSIS OF SELECTED PROGRAMS TO DETERMINE NET COST,
MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS,
1973 AND 1976

Table 13 - 1

CONSUMER AND COMMERCIAL RELATIONS	ACTUAL EXPEND. ACTUAL REVENUE		EST. EXPEND EST. REVENUE		NET COST	NET COST
	AS AT	AS AT	AS AT	AS AT		
	March 31/73	March 31/73	March 31/76	March 31/76		
	(\$ MILLIONS)		(\$ MILLIONS)			
PROGRAM						
Commercial Standards	\$ 16.2	\$ 16.5	\$ 21.3	\$ 24.2	-\$.3	-\$ 2.9
Technical Standards	3.4	2.4	5.6	2.7	1.0	2.9
Property Rights	8.3	12.7	13.5	16.2	- 4.4	-2.7
Registrar General	1.6	1.7	2.2	2.0	- .1	.2
	<u>\$ 29.5</u>	<u>\$ 33.3</u>	<u>\$ 42.6</u>	<u>\$ 45.1</u>	<u>-\$ 3.8</u>	<u>-\$ 2.5</u>

Source: Ministry of Consumer and Commercial Relations

ANALYSIS OF SELECTED ACTIVITIES TO DETERMINE NET

COST, MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS,
1973 AND 1976

Table 13 - 2

CONSUMER AND COMMERCIAL RELATIONS PROGRAM AND ACTIVITY	ACTUAL EXPEND. AS AT		ACTUAL REVENUE AS AT		EST. EXPEND. AS AT		EST. REVENUE AS AT	
	March 31/73	March 31/73	March 31/73	March 31/73	March 31/76	March 31/76	March 31/76	March 31/76
	(\$ MILLIONS)		(\$ MILLIONS)		(\$ MILLIONS)		(\$ MILLIONS)	
<u>COMMERCIAL STANDARDS</u>								
Financial Institutions	\$ 1.8		\$.7		\$ 1.1		\$.8	\$ 1.4
Business Practices	1.3		.8		.5		1.0	1.3
<u>TECHNICAL STANDARDS</u>								
Operating Engineers	.3		.2		.1		-	.5
Boilers & Pressure Vessels	.9		.6		.3		1.1	.3
Elevating Devices	.9		1.1		-.2		1.2	.1
Energy	.9		.4		.5		.4	.9
Uniform Bldg. Standards	.1		-		.1		-	.7
Upholstered & Stuffed Articles	1		.1		-		.1	-

Source: Ministry of Consumer and Commercial Relations

of self-regulation. This technique might in fact encompass most of the activities in this program.

In the Commercial Standards Program, real estate and business brokers appear suitable for self-regulation. The Ministry has encouraged such attempts in the past. We recognize that this approach will generate considerable debate, but we nevertheless believe it to be a viable one.

The Committee therefore recommends that:

- 13.8 A REVIEW BE UNDERTAKEN OF ACTIVITIES IN THE TECHNICAL STANDARDS PROGRAM AND THE COMMERCIAL STANDARDS PROGRAM WITH A VIEW TO DETERMINING THE FEASIBILITY OF THEIR BECOMING SELF-REGULATING.

There may also be situations where a regulatory activity at the provincial level overlaps with an activity at another level of government. It seems appropriate that in such cases, jurisdiction should be clearly defined and responsibilities realigned accordingly. For example, in the Technical Standards Program, responsibility for upholstered and stuffed articles as well as uniform building standards should be reviewed to determine whether duplication and overlap exist in relation to certain objectives of the Federal Hazardous Products Act.

The Committee recommends that:

- 13.9 RESPONSIBILITY FOR
CERTAIN ACTIVITIES
IN THE TECHNICAL
STANDARDS PROGRAM
BE RE-EVALUATED IN
ORDER TO DETERMINE
THE APPROPRIATE GOV-
ERNMENT LEVEL FOR
RESPONSIBILITY,

Finally, we have reviewed systems development and operating expenditures within the Property Rights Program. We are aware that attempts are being made to merge various registry offices throughout the Province, and we believe this trend should continue, provided that it makes the registry process more efficient. We note that in the Property Rights Program there has already been considerable expenditure in connection with a computer program having application to personal property registration, and there may be additional expenditures in real property registration.

The Committee recommends that:

- 13.10 SYSTEMS DEVELOPMENT
AND OPERATING EXPEND-
ITURES IN THE PRO-
PERTY RIGHTS PROGRAM
BE JUSTIFIED ON A
COST-BENEFIT BASIS
AND BE CLOSELY
MONITORED.

PROBATION, PAROLE, AND AFTER-CARE SERVICES

Alternatives to the incarceration of convicted offenders should be considered, provided that their implementation does not jeopardize the safety of society. We have studied three areas of concern:

- the channelling of offenders away from institutions through the use of probation, parole, temporary absence, and community residence;
- the establishment of clear standards of workload for probation, parole, and after-care programs; and
- the location of responsibility for staff training within these programs.

Undoubtedly, there is a core of offenders for whom incarceration is necessary. But the cost of maintaining offenders in prison is high; and wherever substantiated alternatives exist, they should be used. Probation and parole are feasible options. Moreover, alternatives to sentencing - such as requiring the offender to make restitution to the victim in lieu of part or all of the prison sentence - could result in savings in prison costs if consistent with other principles of sentencing. It is not, however, intended that restitution be considered as an alternative only for the well-to-do. In addition, there may be other techniques for diversion from institutions, including amendment of certain provincial statutes, and of the Federal Criminal Code, as well as other legislation.

The Committee recommends that:

- 13.11 IN ADDITION TO THE TRADITIONAL ALTERNATIVES OF PROBATION AND PAROLE, ALTERNATIVES SUCH AS RESTITUTION AND A REVIEW OF THE LEGISLATION AFFECTING SENTENCING OPTIONS BE CONSIDERED.

Clearly defined workload standards do not appear to have been established for either the adult probation and parole program or the juvenile probation and after-care program. A productivity study could be undertaken with a view to achieving more efficient operation of these programs, and development of workload standards would be an important facet of such a study.

The Committee therefore recommends that:

- 13.12 FURTHER EFFORTS BE MADE TO ESTABLISH THE MOST EFFECTIVE CASELOAD STANDARDS AS PART OF A STUDY ON PROBATION, PAROLE, AND AFTER-CARE.

Finally, there is the matter of responsibility for staff training by the federal government. Since there is movement across the country of inmates, probationers, and parolees, standardization of training is desirable. Moreover, federal-provincial cost sharing for this training is appropriate. Therefore, efforts should be made to seek from the

federal government an increased role not only for training, but also for standardization of such training. Work in this area is currently being done by a joint federal-provincial group, and this cooperation between the Province and Ottawa should be encouraged.

The Committee recommends that:

- 13.13 THE MINISTRY OF CORRECTIONAL SERVICES CONTINUE TO EXPLORE, TOGETHER WITH THE FEDERAL GOVERNMENT, WAYS IN WHICH THE FEDERAL GOVERNMENT MIGHT ASSUME INCREASED RESPONSIBILITY FOR STANDARDS AND FUNDING IN STAFF TRAINING AND DEVELOPMENT IN THE PROVISION OF PROBATION, PAROLE, AND AFTER-CARE SERVICES.

POLICING

In some instances, municipal police, Ontario Provincial Police, (OPP), and the Royal Canadian Mounted Police (RCMP) forces are carrying out similar duties, and this may be resulting in unnecessary duplication of effort. In other cases, work is being done by one level of government that could be more appropriately undertaken by another. Some examples of these activities are traffic control, waterways policing, and narcotics control.

The Committee recommends that:

- 13.14 THE JURISDICTIONAL RESPONSIBILITIES OF THE ONTARIO PROVINCIAL POLICE AND MUNICIPAL POLICE FORCES BE FURTHER RATIONALIZED AND REVIEWED.

- 13.15 A REVIEW OF THE FUNCTIONS AND ACTIVITIES OF THE ROYAL CANADIAN MOUNTED POLICE, THE ONTARIO PROVINCIAL POLICE, AND MUNICIPAL POLICE FORCES BE UNDERTAKEN SO THAT ALL UNWARRANTED OVERLAPS MAY BE ELIMINATED. THIS WOULD INCLUDE RESEARCH AND TRAINING ACTIVITIES.

Every effort should be made to ensure that all appropriate costs for policing activities are transferred to either the federal government or the municipalities, as necessary. The Government must be vigilant in its effort to obtain what is due and just from Ottawa. The Ministry of the Solicitor General has indicated that it has requested a reimbursement from the federal Ministry of the Solicitor General for the cost of the Ontario Provincial Police on an equivalent basis to the subsidy now provided to those provinces that purchase contract services from the RCMP. The total amount claimed, but not yet received, is \$379 million for the period 1966 - 1973, and the appropriate amount for both 1974 and 1975 is \$107 million. It is hoped that every effort will be made to ensure that all appropriate expenditures are recovered from Ottawa, promptly.

The Committee recommends that:

- 13.16 THE PROVINCE CONTINUE
TO PURSUE THE MATTER
OF THE REIMBURSEMENT
OF POLICE EXPENDITURES
FROM THE FEDERAL GOVERN-
MENT.

The provision of police service by the Ontario Provincial Police for municipalities should be arranged by financial contract at cost. The OPP should not be considered as an agency providing subsidized services, except in special situations. There are other mechanisms, such as grants to municipalities, that may be utilized if necessary.

The Committee recommends that:

- 13.17 THE PROVISION OF POLICE
SERVICE BY THE ONTARIO
PROVINCIAL POLICE FOR
MUNICIPALITIES BE
ARRANGED BY FINANCIAL
CONTRACT AND ALL APPRO-
PRIATE COSTS RECOVERED.

The data collected in relation to policing costs do not lend themselves to per capita cost comparisons between OPP and municipal police forces. There are discrepancies in costs that cannot be explained.

The Committee therefore recommends that:

- 13.18 THE MINISTRY OF THE SOLICITOR GENERAL DEVELOP ONTARIO PROVINCIAL POLICE INFORMATION THAT IS COMPATIBLE WITH COMPARABLE MUNICIPAL POLICING COSTS, ASSESSMENTS, AND DEMAND LOADS, IN ORDER TO DETERMINE WHERE, WHAT AND WHY VARIANCES EXIST, IN ORDER TO ELIMINATE INEFFICIENCIES,

POLICE TRAINING

The responsibility for raising police standards through training is exercised by the Province through the Ministry of the Solicitor General. The Ontario Police College plays a significant role in this activity, offering basic police training to all police forces in Ontario.

It has been estimated that if the cost of training municipal police were charged back to the municipalities, a total of \$1.5 million could be recovered. Such charging of police training costs could, however, reduce attendance at the College and subsequently have a negative impact on the level of police service. Thus, in implementing a cost-recovery scheme, every effort must be made to overcome these two difficulties.

The Committee recommends that:

- 13.19 ALL COSTS ASSOCIATED WITH THE TRAINING OF MUNICIPAL POLICE BE RECOVERED BY THE PROVINCE.

CHAPTER 14

SOME OTHER SIGNIFICANT EXPENDITURE AREAS

The preceding chapters deal with the major expenditure areas of the Ontario Government. The Province also makes substantial expenditures on a variety of other programs that have not yet been discussed in this report. In order to complete our report by November 15, 1975, we decided to focus our attention on a selected group of these programs. Accordingly, ten other expenditure areas are considered in this chapter, and a number of programs and activities included in the 1975-76 Expenditure Estimates are not specifically reviewed in this report.

We developed the principles presented in Chapter 3 in order to provide a uniform basis on which to examine government programs. We believe that all programs and activities of the Ontario Government should receive a full examination in the light of these principles. If this is done, expenditure reductions will be applied equitably throughout the Government.

The ten expenditure areas considered in this chapter are as follows:

- the public service complement;
- municipal assessment;
- culture and recreation;
- the Ontario Educational Communications Authority;
- the Ontario Institute for Studies in Education;
- regional offices of the Ministry of Education;

- assistance to primary food production;
- the Ontario Energy Corporation;
- tourism; and
- forest management.

PUBLIC SERVICE COMPLEMENT

In the past 18 months, the Ontario Government has made significant reductions in its complement of employees. During the 12-month period from April 1, 1974 to April 1, 1975, the number of public service employees was reduced by 1.7 per cent; a further decrease of 2.2 per cent will take place by March 31, 1976 (see Table 14-1). Over a two-year period, the total reductions will amount to 2,918 places.

These reductions are commendable, but a further effort is required to achieve the desired economies in spending on public service wages and salaries. The recommendations made in earlier chapters of this report can contribute significantly to such savings. For example, if the Government gradually replaces some conditional grants to municipalities with unconditional transfer payments, it will be possible to reduce the staff who currently have responsibility for administering conditional grants. We are not able to estimate the exact number of places that could be eliminated through such measures because the options available to the Government are very complex, and many factors will influence its decisions in this area.

Generally, the Committee recommends that:

14.1 THE GOVERNMENT MAKE FURTHER REDUCTIONS IN ITS PUBLIC

Table 14 - 1

PUBLIC SERVICE COMPLEMENT, 1974, 1975, AND PROJECTED
TO 1976 (NUMBER OF PLACES AND PERCENTAGE CHANGE)

Complement at a Given Date	Civil Service	Environment Plant Operators ¹	Ontario Provincial Police and Security Guards	Total
April 1, 1974 (Number)	70,778	453	4,077	75,308
Increase/Decrease (Number)	-1,654	182	155	-1,317
Percentage Change	-2.3%	40.2%	3.8%	-1.7%
April 1, 1975	69,124	635	4,232	73,991
Increase/Decrease	-1,644	-	43	-1,601
Percentage Change	-2.3%	-	1.0%	-2.2%
March 31, 1976 (Projected)	67,480	635	4,275	72,390

¹Employed on behalf of certain municipalities.

Source: Documents prepared by various ministries of the Ontario Government.

SERVICE COMPLEMENT CONCURRENTLY
WITH ITS IMPLEMENTATION OF
THOSE RECOMMENDATIONS IN THIS
REPORT THAT PERMIT MANPOWER
REDUCTIONS.

MUNICIPAL ASSESSMENT

During its study of provincial-municipal taxation in 1968, the Ontario Committee on Taxation (the Smith Committee) found widespread and gross inequities in property taxation across the province.¹ These inequities resulted from the application of inconsistent assessment practices within and between municipalities. Subsequently, a Select Committee of the Legislature endorsed the Smith Committee's recommendation that reassessment at actual value should become the mandatory basis for property tax reform. After considering the available options, the Government concluded that market value reassessment could be attained only by direct action, and the provincial takeover was announced in the 1969 budget. The Province assumed responsibility for municipal assessment on January 1, 1970.

Operating with a 1975-76 budget of \$43.8 million and a current complement of 2,439 employees, the municipal assessment program includes the following activities:

- reassessment of about 3 million properties throughout the province;
- provision of assessment rolls for

¹See *Report of the Ontario Committee on Taxation* (Toronto: Queen's Printer, 1968).

793 municipalities;

- an annual municipal enumeration of about 8.2 million residents and businesses for school tax purposes, provincial grants, and voters' and jurors' lists;
- valuations required for provincial land tax, land speculation tax, land transfer tax, and succession duties; and
- data management in the form of two computerized systems - the Standard Assessment System for the return of assessment rolls to the municipalities, and a Valuation File to keep property valuations in line with market fluctuations.

Reassessment of all real property at 1975 values is expected to be completed in 1976 for application to municipal taxation in 1977. The Government is, however, fully aware that the introduction of assessment at market value without compensatory changes to the system of local taxation could lead to severe and unacceptable shifts in tax burdens among ratepayers, in the apportionment of shared costs among municipalities, and in provincial-municipal grants. To prevent these adverse effects, the Government intends to introduce reassessment only after the appropriate changes to property tax and grant structures have been made. Existing programs that will require change include Property Tax Stabilization; conditional education, transportation, social assistance, and other grants; the property tax components of the Tax Credit Program, as well as the Farm Tax Reduction and Managed Forest Tax Reduction programs.

The likelihood that reassessment will be completed and in place by 1977 gives rise to questions of potential savings and future alternatives for the municipal assessment program. One possibility is to hand back responsibility for assessment to the municipalities and reduce the Province's role to that of monitor. It is, however, apparent that adoption of this alternative could result in higher costs for Ontario taxpayers. Depending on policy decisions on its future conduct, savings could also be expected under continuing provincial responsibility for the program. For example, once the new system is operating smoothly, the present complement could be reduced by one-third and the number of regional offices could be reduced from 41 to approximately 20. We also note that, since municipal elections are held every two years, savings of about \$2.5 million in enumeration costs could be realized if school boards would agree to a biennial adjustment in their apportionments.

In view of these considerations, the Committee recommends that:

- 14.2 THE GOVERNMENT CONDUCT MUNICIPAL ENUMERATIONS ONLY IN MUNICIPAL ELECTION YEARS TO ACHIEVE ALTERNATE YEAR SAVINGS OF \$2.5 MILLION.
- 14.3 THE GOVERNMENT TAKE MAXIMUM ADVANTAGE OF POTENTIAL SAVINGS OF ABOUT \$12 MILLION IN THE MUNICIPAL ASSESSMENT PROGRAM AS SOON AS REASSESSMENT HAS BEEN INTRODUCED AND THE NEW SYSTEM IS OPERATING SATISFACTORILY.

CULTURE AND RECREATION

Over recent years, the Province has introduced new programs and expanded its support for cultural and recreational activities. These actions led in part to the formation of the Ministry of Culture and Recreation early in 1975, with the purpose of bringing together components of programs operated by several ministries and providing a vehicle for the distribution of the proceeds of the Ontario Lottery (Wintario).

In reviewing provincial expenditures as a whole, we find that few, if any, areas of government activity have been as relatively well funded over recent years as has culture and recreation. This may be a very commendable public policy in that it reflects both a desire and a genuine effort to improve the quality of life in Ontario. At the same time, we must recognize that previous rates of spending are no longer appropriate in a time of expenditure restraint. Moreover, some programs clearly have a leverage effect on the spending of local governments, requiring them to raise funds to support both capital and operating expenses of cultural and recreational projects, as well as provide additional staff to carry out these activities. Accordingly, the Committee recommends that:

- 14.4 FUNDING INCREASES FOR
THE MINISTRY OF CULTURE AND
RECREATION AND EACH OF
ITS EXISTING PROGRAMS BE
FIXED AT 5 PER CENT PER
ANNUM OVER THE NEXT THREE
YEARS.

14.5 NO NEW PROGRAM INITIATIVES
BE UNDERTAKEN BY THE
MINISTRY OF CULTURE AND
RECREATION OVER THE NEXT
THREE YEARS.

Wintario

Wintario is expected to provide in excess of \$20 million in revenues during 1975, with the prospects of even higher receipts after the Olympic Lottery concludes operations. By explicit policy decision in establishing Wintario, the Government specified that proceeds were not to be used in lieu of tax revenue for support of programs; rather, they must be earmarked for cultural and recreational projects that are not tax supported. Accordingly, a set of criteria for the allocation of proceeds has been developed by the Ministry to ensure, among other things, that this policy is carried out.

At present, many cultural and recreational programs in Ontario receive tax revenue support. It is therefore no simple task to design or identify programs that qualify for funding from lottery proceeds.

We are concerned that public priorities at both the provincial and the local levels may become distorted as lottery revenues accumulate and increase. As the cost pressures continue to rise, and as the need for expenditure controls become more urgent, governments will find it increasingly difficult to justify large additional expenditures on cultural and recreational programs.

Accordingly, the Committee recommends that:

- 14.6 ALL PROCEEDS OF WINTARIO
BE APPLIED TO EXISTING
CULTURAL AND RECREATIONAL
PROGRAMS SUCH THAT THE 5
PER CENT TOTAL INCREASE
RECOMMENDED FOR THE MINISTRY
OF CULTURE AND RECREATION IS
NOT EXCEEDED.

Heritage Conservation

The province's heritage conservation program provides funds to local museums, gives grants to the Heritage Foundation, pays for the operations of sites of historical interest, and is currently funding the reconstruction of Old Fort William. Expenditures have grown over the past three years by approximately 26 per cent, from \$7.6 million in 1973-74 to \$9.6 million in 1975-76. Of particular note within these expenditures is the expenditure on the Old Fort William project, which has amounted to \$12 million over the past five years.

As noted in Chapter 5, there are apparent overlaps between the Province's heritage conservation program and similar activities carried out by the federal government. Moreover, the reconstruction of Old Fort William appears to be a very costly undertaking. This project is not yet complete; one further addition that is planned is the provision of a public reception centre. Because public response to the project in its present form is apparently favourable, and as the interim reception facilities now in place seem adequate to meet the needs of visitors to the site, further expenditures on the project probably are not warranted at this time. The Committee therefore recommends that:

14.7 FURTHER EXTENSION OF OLD
FORT WILLIAM BE POSTPONED
INDEFINITELY.

Arts Support

Expenditures on the arts in Ontario have grown by 90 per cent over the past three years, from \$23.7 million in 1973-74 to \$45.2 million in 1975-76. Funds are provided for a broad spectrum of activities and programs, ranging from capital grants for cultural projects to funding of the Ontario Educational Communications Authority, the Ontario Science Centre, and radio station CJRT/FM, as well as grants to artists by the Ontario Arts Council. Of particular note are the five-year expenditure growth rates of the Royal Ontario Museum, at 79 per cent; the Art Gallery of Ontario, at 464 per cent (reflecting a major expansion undertaken during the past three years); and the Ontario Arts Council, at 296 per cent.

Sports and Fitness

Provincial funding of sports and fitness programs has grown by 36 per cent over the past three years, from \$12.3 million in 1973-74 to \$16.7 million in 1975-76. These expenditures have covered grants for municipal programs, grants for the construction of community facilities, physical fitness and leadership training, and assistance to organized sports. Of particular note is the total of nearly \$22 million that has been paid in grants over the past five years for the construction and renovation of community recreation facilities. Over this same period, municipalities have provided in excess of \$100 million for this purpose, of which about \$30

million represented federal winter works funding.

We are concerned about the high level of expenditure on these facilities - in 1975-76, funds allocated to this purpose alone amount to nearly \$12 million. It is true that there have been substantial pressures to invest in these projects: the level of public interest is naturally high, and federal winter works programs have undoubtedly added further impetus. But the development of community recreation centres is a clear example of leverage on spending. Funding by senior levels of government has encouraged local governments to keep pace, regardless of the fact that the amount of money that is directed to such projects diminishes the total resources that are available for the provision of other, higher priority services.

Finally, we note that, under present arrangements, the funding of community recreation centres by the Province is open-ended; consequently, large backlogs of commitments can accumulate over a period of years. As we have pointed out in Chapter 10, this is not a desirable position for the Government to maintain at a time when costs are escalating beyond predictable levels.

In view of all these considerations, the Committee recommends that:

- 14.8 A TWO-YEAR MORATORIUM BE
PLACED ON FUNDING OF COMMUNITY
RECREATION CENTRES, DURING
WHICH TIME STRICT CRITERIA
SHOULD BE DEVELOPED TO
CONTROL THE LEVEL OF FUNDING
THAT WOULD BE REQUIRED THERE-
AFTER.

ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

The Ontario Educational Communications Authority (OECA) was established by provincial legislation in 1970 to carry out the following functions:

- to initiate, acquire, produce, distribute, exhibit, or otherwise deal in programs and materials in the educational broadcasting and communications field;
- to engage in research in those fields of activity, consistent with the objects of the Authority as specified above; and
- to discharge such other duties relating to educational broadcasting and communications as the Board considers to be incidental or conducive to the attainment of the objects specified above.

The OECA is now involved in broadcasting in Toronto and Ottawa and in 1976 will operate programs in Kitchener, London, Windsor, and Chatham. The Authority also sells copies of a selection of its programs on video-tape to schools. Funding for both operating and capital requirements is obtained principally from government sources (see Table 14-2).

Programming

We acknowledge the significant efforts and achievements of the Authority in the field of communications at the pre-school, elementary, and

SOURCES OF FUNDS FOR OPERATING AND CAPITAL
 REQUIREMENTS OF THE ONTARIO EDUCATIONAL
 COMMUNICATIONS AUTHORITY, 1973-74 TO 1975-76
 (\$ THOUSANDS)

Table 14 - 2

			(Est.)
<u>Operating Grants</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Ministry of Culture and Recreation	6,597	7,800	9,350
Ministry of Education	6,888	6,888	7,588
Sales of Materials, Programs Etc.	383	1,293	941
Total Operating	<u>13,868</u>	<u>15,981</u>	<u>17,879</u>
<u>Capital Grants</u>			
Ministry of Culture and Recreation	113	1,500	3,376

Sources: 1975-76 Estimates, the Public Accounts, and
 ministry statistics.

secondary school levels; but we are concerned about the justification for expenditures on certain other types of programming. In particular, it appears that the OECA is adopting an increasingly broad interpretation of the term "education".

As in the case of radio station CJRT-FM, for example, the Authority includes in its mandate the provision of an "open sector education". This approach to education is commendable to the extent that it could be highly cost effective in our present media-oriented society. Experiments in other jurisdictions, however, lead us to believe that this approach may well be more expensive, since it does not actually replace traditional education facilities to any significant degree. Indeed, the programs typically provided either add to the range of subjects, are duplications of subjects already provided in formal educational institutions, or represent a very loose definition of the term "education". For example, OECA programming includes such items as a daily talk show ("The Education of Mike McManus"), television theatre, classic movies followed by a discussion ("Magic Shadows"), and general-interest arts and crafts shows. An added concern is that this form of education is being provided by an agency of the Government outside the direct jurisdiction of the ministries that have been assigned responsibility for education - that is, the ministries of Education, and Colleges and Universities. Such a situation provides "open sector education" with its own dynamic and thereby inexorable capacity for increased cost.

In view of these concerns, the Committee recommends that:

- 14.9 THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY BE RESTRICTED TO THE PRODUCTION OF PROGRAMMING DIRECTED AT PRE-SCHOOL, ELEMENTARY, SECONDARY, AND POST-SECONDARY INSTITUTIONAL LEARNING SECTORS ONLY.
- 14.10 THE PROGRAMMING PRODUCED BY THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY BE EXPLICITLY DEFINED BY THE MINISTRY OF EDUCATION AND THE MINISTRY OF COLLEGES AND UNIVERSITIES.
- 14.11 FUNDING FOR THE PROGRAMMING PRODUCED BY THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY BE MADE A SPECIFIC ELEMENT OF THE AUTHORITY'S BUDGET, SUBJECT TO GOVERNMENTAL REVIEW AND PRIORITY SETTING.

Broadcast Hours

The OECA presently broadcasts every day and evening. The recommendations on programming set out above, however, result in a lower time requirement than this. The Committee therefore recommends that:

- 14.12 THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY RESTRICT ITS BROADCASTING HOURS TO THOSE REQUIRED TO MEET ITS EDUCATIONAL PROGRAMMING FUNCTION.

In view of the significant reduction in required air-time, we suggest that the Authority should explore alternative broadcasting modes with the private sector.

Broadcast Network

Implementation of the OECA broadcast network is planned to take place in three phases:

- Phase I Toronto;
- Phase II Ottawa, Kitchener, Windsor, Chatham, London; and
- Phase III Sudbury, Thunder Bay, Timmins, Sault Ste. Marie, North Bay, Peterborough, Brockville, Kingston, Belleville, Dryden, Kenora, Kirkland Lake, Fort Frances.

Phase I and II stations are all expected to be broadcasting by 1976. The total capital cost of implementing Phase III by 1979 is estimated at \$9.7 million. Certain minor financial commitments have been made in connection with some of the proposed stations.

In view of the total demands on government resources, we consider that an expenditure of this magnitude should not be undertaken at this time. The Committee therefore recommends that:

14.13 IMPLEMENTATION OF PHASE
 III OF THE PROPOSED EXPANSION
 OF THE ONTARIO EDUCATIONAL
 COMMUNICATIONS AUTHORITY
 BROADCAST NETWORK BE POST-
 PONED.

ONTARIO INSTITUTE FOR STUDIES IN EDUCATION

The Ontario Institute for Studies in Education (OISE) was established by the Province by an Act of the Legislature in 1965, to undertake research and development in education and to provide postgraduate training up to a doctorate level. Under an agreement with the University of Toronto, the Institute awards university degrees to its graduates. The Institute is funded by the Ontario Government to the extent shown in Table 14-3.

Postgraduate Education

There has recently been an increasing emphasis on postgraduate degrees in education. While these are desirable for future post-secondary lecturers, it must be recognized that any increase in the number of elementary and secondary school personnel with these degrees results in increased salary costs for school boards. A corresponding increase in teaching effectiveness may not be as readily demonstrable.

OISE is presently in the unusual position of having status as a degree-granting institution that is not part of a university. We feel that the undergraduate and graduate degree programs in education could be better served by moving the graduate degree program into the university itself to allow for a greater interchange of information and ideas. The Committee therefore recommends that:

- 14.14 THE POSTGRADUATE EDUCATION PROGRAM CURRENTLY PROVIDED BY THE ONTARIO INSTITUTE FOR STUDIES IN EDUCATION BE TRANSFERRED TO THE FACULTY OF EDUCATION OF THE UNIVERSITY OF TORONTO.

ONTARIO GOVERNMENT ASSISTANCE TO THE
 ONTARIO INSTITUTE FOR STUDIES IN EDUCATION,
 1973-74 TO 1975-76
 (\$ THOUSANDS)

Table 14 - 3

	<u>1973-74</u>	<u>1974-75</u>	(Est.) <u>1975-76</u>
Postgraduate Studies	5,285	6,395	7,596
Research and Development	<u>3,531</u>	<u>3,124</u>	<u>3,399</u>
	8,816	9,519	10,995
Building Rental	<u>2,195</u>	<u>2,195</u>	<u>2,195</u>
	<u>11,011</u>	<u>11,714</u>	<u>13,190</u>

Source: Documents prepared by various ministries of the
 Ontario Government.

Research and Development

In the past, OISE has undertaken research in education for various levels of government on either a grant or a contract basis. Since 1971-72, the Ministry of Education has provided the Institute with a basic annual grant for general research, as shown in Table 14-4.

Projects are often long term and far reaching in nature. Examples include research into new learning methods at the elementary level and research into individualization of the education system.

We believe that expenditures on research should be considered in the context of ministry and government priorities. In order to undertake this more effectively, specific costs should be assigned to each research project. The Committee therefore recommends that:

- 14.15 THE BASIC RESEARCH GRANT PROVIDED TO THE ONTARIO INSTITUTE FOR STUDIES IN EDUCATION BY THE MINISTRY OF EDUCATION BE AWARDED ON A CONTRACT RESEARCH BASIS AND THE AMOUNT OF FUNDING PRESENTLY GRANTED FOR BASIC RESEARCH BE PHASED OUT OVER THREE YEARS.

Consistent with recommendation 14.15, the contract would be transferred from OISE to the University of Toronto.

Accommodation

The Institute is presently housed in a building located on Bloor Street in Toronto, leased

BASIC GRANT FOR RESEARCH FROM THE MINISTRY OF EDUCATION
TO THE ONTARIO INSTITUTE FOR STUDIES IN EDUCATION,
1971-72 TO 1975-76
(\$ THOUSANDS)

Table 14 - 4

	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	(Est.) <u>1975-76</u>
Basic Grant ¹	4,496	3,597	2,878	2,252	2,252

¹ Included in Research and Development Funding in Table 14 - 3.

Sources: The Public Accounts and Ministry of Education Estimates.

by the Government. With the relocation of the Institute's functions to the University of Toronto, this accommodation may become available for reuse or sub-lease.

REGIONAL OFFICES OF THE MINISTRY OF EDUCATION

The Ministry of Education has nine regional offices that operate on an annual budget of \$11 million with a staff of 419. They were established between 1961 and 1970, first to provide regional inspection services and later, after the amalgamation of school boards, to provide a variety of consultative services with particular emphasis on curriculum. Specifically, the offices maintain contact with boards, interpret and assess the effect of Ministry policies, train board personnel, collect statistical data, and coordinate Ministry-funded activities at the boards.

Increases in Consulting Staff

Since the amalgamation of Ontario school boards in 1969 into fewer and larger units, there has been an increase in school board consulting staff from approximately 1,000 in 1969 to 1,600 in 1975, despite a decline in the total school population over the past few years.² The functions of these staff are similar in many respects to those of the Ministry's regional staff and the head office curriculum development and services staff. A review of the Ministry staff in these areas shows that between 1969 and 1975 there has been a decrease of only 86 personnel. We consider that a greater

²Detailed data are presented in Chapter 10 of this report.

reduction in Ministry staff should have taken place in view of the increased responsibilities for curriculum that have been taken on by the boards, and in view of the steady decline in enrolment.

The Committee recommends that:

- 14.16 THE MINISTRY OF EDUCATION
EFFECT A TOTAL STAFF REDUC-
TION OF 200 IN THE REGIONAL
OFFICES AND IN CURRICULUM
DIVISIONS OF ITS HEAD OFFICE,
WITH A CORRESPONDING REDUCTION
IN FUNDING REQUIREMENTS.

Regional Office Responsibilities

The Ministry's regional offices have proven valuable in the past in providing services to small boards to ensure that the Ministry's objective of achieving equity in education across the province is realized. This level of service is not required for large boards that maintain their own substantial professional support staff.

A regional presence also provides feedback to the central Ministry office on the views of pupils, teachers, school boards, and the public with regard to Ministry policies. The Committee therefore recommends that:

- 14.17 THE MINISTRY OF EDUCATION
CONTINUE TO PROVIDE THE
PRESENT LEVEL OF REGIONAL
SERVICES TO SMALL SCHOOL
BOARDS.

- 14.18 THE RELATIONSHIP OF THE
MINISTRY OF EDUCATION WITH
LARGE SCHOOL BOARDS BE
RESTRICTED TO LIAISON AND
GATHERING FEEDBACK ON
MINISTRY POLICIES AND GUIDE-
LINES, AND THIS FUNCTION BE
CARRIED OUT FROM THE
MINISTRY HEAD OFFICE.
- 14.19 THE NUMBER OF REGIONAL OFFICES
BE REDUCED TO REFLECT CHANGES
IN THE LEVEL OF REGIONAL
SERVICES REQUIRED.

ASSISTANCE TO PRIMARY FOOD PRODUCTION

The Province currently operates two main farm support programs through the Ministry of Agriculture and Food under the category of "Assistance to Primary Food Production". The Farm Income Stabilization Program currently (in fiscal 1975-76) accounts for \$20 million of provincial expenditures; an additional \$29.5 million is allocated to the Farm Tax Reduction Program.

In reviewing these programs, we have recognized the difficult role the Province must carry out in responding equitably to the competing demands of the agricultural, industrial, and urban communities. Much of the difficulty arises from and is increased by the fact that responsibility for Ontario's agro-economy is shared by the federal and provincial governments. The joint relationship is complicated by the diversity and dissimilarity of priorities and problems between the various provinces. In particular, the federal government plays a prominent role in agricultural activities in the Prairie Provinces, while for most of the other provinces it has

traditionally confined its involvement to regulation of interprovincial and international trade.

Farm Income Stabilization

Problems related to farm income in Ontario can be traced to two primary causes: competing demands for the use of prime agricultural land, which have the effect of pushing up land prices and diminishing the supply of available acreage for farm production; and historically low farm incomes that are subject to sharp and unpredictable fluctuations, resulting in a scarcity of capital funding for agricultural activity.

The factors contributing to the first cause are well documented and need not be detailed here. In Ontario, the prime agricultural land surrounds or is adjacent to areas of most intense industrial and urban growth. Programs are required to preserve an adequate supply of productive farmland to ensure the availability of adequate food supplies for future generations.

With respect to the second cause, it should be noted that the average annual farm income is low in relation to that of comparable occupations. Also, it can vary widely from year to year in response to changing weather conditions and shifts in the market for agricultural products (often resulting from the negotiation of international trade agreements). This instability makes agriculture an unattractive investment for private capital. Consequently, government has come to assume a dominant role in funding farm activity. Ontario's Farm Income Stabilization Program is seen as one vehicle to encourage farmers to hold and work the province's productive farmland.

The success of the program depends on its ability to develop a set of commodity cost standards that are closely related to market demand. If this is not done, there may be an incentive to produce beyond what the market can absorb.

Even in the short term, a system with built-in cost incentives could result in the need to pour hundreds of millions of dollars into the Income Stabilization Program. In the longer term, such a system carries the seeds of complete and artificial government control of the supply and allocation system.

The Committee therefore recommends that:

14.20 THE GOVERNMENT DEVELOP CLEAR
POLICY GUIDELINES AND DEFINE
THE POTENTIAL LONG-TERM
FINANCIAL IMPLICATIONS OF
A FARM INCOME STABILIZATION
PROGRAM.

14.21 THE FARM INCOME STABILIZATION
PLAN OPERATE AT THE MARGIN -
THAT IS, TO MINIMIZE INCOME
LOSSES AND TO AVOID CREATING
AN INCENTIVE TO OVER-PRODUCE.

Farm Tax Reduction Program

The Farm Tax Reduction Program is designed to compensate farm operators for what is deemed an inequity inherent in municipal tax assessment, pending the development and implementation of a new municipal assessment program. Present policy compensates the farmer for 50 per cent of his municipal tax bill each year. The authority for the program is renewed annually by Order-in-Council under the Ministry of Agriculture

and Food Act. We note that increasing government outlays are a direct result of increasing municipal costs, the largest portion of which is attributable to rising costs of education. But we endorse the present policy of payment of 50 per cent of current municipally imposed tax on farm lands as an acceptable interim measure to bring an element of relief to the agricultural producer.

With respect to support in this area, the Committee recommends that:

- 14.22 EFFORTS CONTINUE TO BRING ABOUT AN ACCEPTABLE MUNICIPAL ASSESSMENT PLAN SUCH THAT THE PROVINCE CAN ULTIMATELY BE RELIEVED OF THE COSTS OF THE FARM TAX REDUCTION PROGRAM.

- 14.23 RECOGNITION BE MADE OF THE USEFULNESS OF A TAX SYSTEM TO HELP COMPENSATE FOR LOWER LAND VALUES OF FARMING OPERATIONS AND, IN THIS REGARD, THE GOVERNMENT REVIEW THE PROPOSED ASSESSMENT PROGRAM IN THE LIGHT OF THE NEED TO PRESERVE PRIME FARMLAND.

- 14.24 ELIGIBLE FARMING OPERATIONS BE REDEFINED IN TERMS OF GROSS SALES FROM \$2,000 TO \$4,000 GIVEN THE TREND TO LARGER OPERATIONS.

ONTARIO ENERGY CORPORATION

In 1975, the Ontario Government established the Ontario Energy Corporation (OEC) to make investments for the Province in energy developments. The OEC

is so constructed that the Minister of Energy at all times retains majority ownership. At present, the Minister is sole owner of the shares of the Corporation, although it is expected that ultimately shares in the OEC may be offered for sale on the capital market. The present capitalization of the Corporation is \$100 million.

To date, the OEC has become involved in two major energy projects: the Syncrude Development (a 5 per cent share valued at \$100 million) and the Polar Gas Project (valued at \$10 million). In the case of Syncrude, changing world oil supply and pricing conditions, the ballooning cost of the Syncrude project, and other investment commitments apparently caused one of the original partners to withdraw. The Alberta, Ontario, and federal governments quickly became financially involved as partners in the project to ensure that it would continue.

Provincial involvement in the planning for a Polar Gas pipeline to the natural gas reserves in the high Arctic Islands has been under consideration for a longer period of time relative to the Syncrude investment. Once again, the timing of Ontario's participation was dictated in part by the withdrawal of a major partner from the study consortium. The Province is interested in having the feasibility work on the Polar Gas project advanced to the point where, should other potential sources of supplemental gas encounter delays, a feasible alternative proposal is available. In view of current projections that Canada will experience a gas shortage before the end of the decade, the need for access to additional gas supplies is important.

The OEC's current capitalization is modest, particularly since the Corporation is likely to be primarily involved in expensive, long-range energy projects. It is conceivable that very large amounts

of long-term capital will be required for investment in diverse projects. We are concerned that the net cash demands on the Province might be substantial, perhaps in the billions of dollars, over a period of many years. The present arrangement appears to be somewhat open-ended in terms of the OEC's financial requirements. On the grounds that Ontario cannot afford large cash flows under present economic conditions, the Committee recommends that:

14.25 THE ONTARIO ENERGY CORPORATION
NOT BE PERMITTED TO INVEST AT
THIS TIME IN ANY FURTHER PROJECTS
OVER AND ABOVE THE TWO PROJECTS
WITH WHICH IT IS CURRENTLY
INVOLVED, NAMELY, SYNCRUDE AND
POLAR GAS.

If the Government deems it necessary that the Ontario Energy Corporation invest in further projects at some time in the future, we suggest that such investment be undertaken only in response to a demonstrated critical need, such as ensuring the security of supply. Further, any such investments should be allocated primarily to the development of energy sources where technology is commercially available, with return on investment over a reasonable time-frame. Finally, any such financial involvement should be restricted to a minority interest in potentially viable projects, so as to influence and accelerate, where possible, the development and production of much-needed energy sources.

The Committee further recommends that:

- 14.26 THE ONTARIO ENERGY
CORPORATION NOT BECOME
AN ACTIVE OPERATION BUT
INSTEAD RESTRICT ITSELF
TO ACTING AS A FINANCING
VEHICLE.

TOURISM

The goals of Ontario's tourism development program are to direct and coordinate tourism development in Ontario, to facilitate rational growth of the tourism industry in order to increase the volume and diversity of travel opportunities in the Province, and to improve the efficiency of the tourism service industry.

Currently, Ontario engages in promotional campaigns, provides tourism loans, and supports feasibility studies to ascertain the potential profitability of various projects. The Province also has become involved in the development and ownership of a few tourism attractions such as Ontario Place in Toronto. The Ministry of Industry and Tourism, which is responsible for tourism development in Ontario, suggests that there is a need for increased public involvement in the planning and provision of tourism opportunities.

Representatives of the tourism industry have suggested several types of public assistance involving direct government participation in the development of facilities and supporting infrastructure. The types of facilities suggested include tourism corridors and major destination resorts. It is anticipated that capital costs for a number of these projects could easily be in excess of \$40 million over the next few years. We foresee that many of

the projects suggested will require large amounts of venture capital not available from private sources, and often a Government-sponsored demonstration project will be suggested as the means to convince the entrepreneur of the viability of a new project.

We recognize the substantial contribution of tourism to the provincial economy, but we are concerned about current and future large expenditures on tourism development in Ontario. Spending on tourism appears to be less of a priority than expenditures in other areas, such as housing. Furthermore, we are of the opinion that tourism promotion and advertising by the Province are at the point of diminishing returns in that Ontario is now well known, in North America and abroad, as an attractive vacation area.

Accordingly, the Committee recommends that:

- 14.27 THE PROVINCE SHOULD
 PROVIDE A ZERO BUDGET
 INCREASE FOR PROMOTION
 OF TOURISM, WITH NO
 ALLOWANCE FOR INFLATION.

The full costs of large tourism projects are seldom identified. This is the case, for example, with supporting infrastructure and operating subsidies. Moreover, tourism has negative as well as positive effects on communities and areas, and detailed cost-benefit analyses on tourism projects should be undertaken to identify both aspects. For example, although tourists do bring new money into a region, they also may overcrowd scenic areas, over-use natural resources, pollute the environment, and cause

significant disruptions in life-style for local residents. We are inclined to believe that, to date, the negative aspects of tourism have tended to be overlooked.

Government does have a role to play in tourism development; but loans and/or grants should go, not to large projects, but to small operators whose economic need is proven, and only where regional development is an important factor. This is now being achieved to a considerable extent through loans from the Ontario Development Corporations.

Finally, we question whether the Province should be involved in the development and ownership of tourism projects that are unattractive to the private entrepreneur, except where significant net cultural and social benefits are demonstrated. We suggest that extensive and direct government involvement in the initiation and/or ownership of tourism projects could actually discourage development of a self-supporting tourism industry in Ontario.

Accordingly, the Committee recommends that:

14.28 TOURISM PROJECTS RECEIVE
 GOVERNMENT SUPPORT ONLY
 WHERE NET BENEFITS TO ONTARIO
 AND ITS REGIONS CAN BE CLEARLY
 DEMONSTRATED OVER THE LONG
 TERM. PROJECTS THAT ARE
 LIKELY TO SUSTAIN OPERATIONAL
 DEFICITS OVER THE YEARS SHOULD
 BE AVOIDED.

14.29 NOTWITHSTANDING THE PRECEDING
 RECOMMENDATION, THE GOVERNMENT
 NOT SPEND LARGE SUMS OF MONEY
 ON TOURISM DEVELOPMENT DURING
 THE CURRENT PERIOD OF EXPENDITURE
 RESTRAINT.

14.30 LOANS CONTINUE TO BE MADE THROUGH THE NORTHERN AND EASTERN ONTARIO DEVELOPMENT CORPORATIONS TO SELF-EMPLOYED OWNER-OPERATORS OF TOURIST FACILITIES WHO DEMONSTRATE CLEAR ECONOMIC NEED.

FOREST MANAGEMENT

The stated objectives of the forest management activity in the Ministry of Natural Resources are "to provide for an optimum continuous contribution to the economy by the forest-based industries consistent with sound environmental practices; and to provide for other uses of the forest". Forestry is characterized by a long production period with a planning horizon far beyond that of an individual or of most industries. This is largely due to the time required for trees to reach a commercial or harvestable size. Primarily for this reason, the management of forests has generally become the responsibility of government. Also, forests are being used increasingly for other purposes such as recreation, watershed management, and wildlife reserves, and government appears to be the best agent to manage these activities.

In Ontario, the first involvement of the larger licensees in forest regeneration and silviculture (the growing of trees in a forest condition) was initiated under The Crown Timber Amendment Act, 1954, which placed the responsibility for "the productivity of the area cutover" on the licensee. This approach was not successful; and in 1961-62, the Act was amended to return responsibility to the Crown.

Ontario's present silvicultural operations and silvicultural support components of forest management were established by the forest production policy approved in principle by the Cabinet in May 1972. This policy is aimed at providing 910 million cubic feet of industrial roundwood for the forest industry of Ontario, as well as maintaining the aesthetic and recreational values of the forest after the year 2020. This policy does not provide for sustained yield or regeneration of all cutover lands.

Silvicultural work is carried out on three classes of land: Crown land under long-term licence, Crown land that is unalienated or under short-term licence, and private land. Implementation of the forest production policy is scheduled to take place over a 10-year period that started in 1973-74. During this period, the silvicultural program will approximately double in acres treated and in cost (expressed in 1973 dollars). Accomplishment to date in silvicultural operations is shown in Table 14-5.

The appropriate level of Crown charges has recently been reviewed by an Interministry Task Force representing the ministries of Treasury, Economics and Intergovernmental Affairs, Natural Resources, and Revenue. The recommendations of this Task Force should be reviewed jointly with those contained in this report.

Expenditures by components for forest management are shown in Table 14-6 for the past three years, together with an estimate for the current year. In 1974-75, silvicultural operations on all lands cost \$7.8 million out of a total forest management expenditure of \$28 million. Revenues from stumpage and protection charges for the same period are shown in Table 14-7.

The present forest production policy is

ACCOMPLISHMENTS IN SILVICULTURAL OPERATIONS,
ONTARIO, 1974-75

Table 14 - 5

<u>Treatment</u> ¹	Crown Land			<u>Private Land</u> ²	<u>Total</u>
	<u>Large Licences</u>	<u>Small Licences</u>			
Regeneration:	Acres				
	\$				
	75,000	89,000		11,600	175,600
	1,790,000	1,814,000		780,000	4,384,000
Site Preparation:	Acres				
	\$				
	45,000	31,900		3,100	80,000
	1,005,000	883,000		128,000	2,016,000
Tending:	Acres				
	\$				
	20,000	111,600		26,400	158,000
	165,000	585,000		672,000	1,422,000
Subtotal:	Acres				
	\$				
	140,000	232,500		41,100	413,600
	2,960,000	3,282,000		1,580,000	7,822,000

¹Cost figures include all project costs, complement salary, and overhead charges.

²Private land includes all work under The Forestry Act and The Woodlands Improvement Act.

³Tending includes marking.

Source: Ministry of Natural Resources.

EXPENDITURES ON FOREST MANAGEMENT,¹ ONTARIO,
1972-73 TO 1975-76
(\$ THOUSANDS)

Table 14 - 6

Components	1972-73 ²	1973-74 ²	Preliminary 1974-75 ²	Estimated 1975-76 ³
Administration	5,871	5,822	5,493	5,800
Silviculture Operations	6,240	6,658	7,822	11,600
Silviculture Support	4,634	4,540	5,836	8,000
Timber Management ⁴	3,197	3,714	4,746	5,700
Grants to Municipalities	222	213	63	140
Subtotal	20,164	20,947	23,960	31,240
Forest Access and Logging Roads	1,960	2,494	3,845	4,000
Miscellaneous	-	182 ⁵	302 ⁵	-
Managed Forest Tax Reduction	-	-	-	500
Total	22,124	23,623	28,107	35,740

¹ Forest protection charges are not included in these expenditures.

² Adjusted to be on a consistent basis - that is, with added program administration expenditures of \$687,000 in 1972-73, \$681,000 in 1973-74, and \$958,000 in 1974-75.

³ Estimated expenditures after constraints outlined in the Supplementary Actions and removal of Minister's Reserve.

⁴ Does not include road construction or maintenance.

⁵ Expenditures on Algonquin Forestry Authority, Sapawe Lumber Camp, and Employment of Rural People.

Sources: Annual Reports and internal documents, Ministry of Natural Resources.

TIMBER BILLINGS, ONTARIO, 1972-73 TO 1975-76
(\$ MILLIONS)

Table 14 - 7

<u>Item</u>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Dues	13,856	15,480	27,166	Not Available
+ Bonus				
+ Bid				
Forest Protection and Management	2,047	2,016	1,953	
Total ¹	<u>15,903</u>	<u>17,496</u>	<u>29,119</u>	

¹Actual receipts differ from the totals shown above because of outstanding accounts, interest and other miscellaneous charges, reimbursements, and similar items.

Sources: Annual Reports and internal documents, Ministry of Natural Resources.

currently under review by the Government. Confirmed plans for industrial expansion will increase the total consumption of roundwood in Ontario from 650 million cubic feet in 1973 to an estimated 900 million cubic feet by 1980. Thus, Ontario will reach its projected 2020 consumption by 1980, indicating a need for an increased silvicultural activity at a level above the present implementation schedule.

We believe that silvicultural operations should be carried out by private industry. While the responsibility for managing forests remains with the Crown, the total costs of management should be levied against forest-based industries. The Committee therefore recommends that:

- 14.31 LICENSEES ACROSS THE PROVINCE
BE DIRECTED TO CARRY OUT AN
APPROVED SILVICULTURAL PROGRAM
TO MAINTAIN THE PRODUCTIVITY
OF THEIR LICENCE AREA, IN THE
CASE OF SMALL LICENSEES, THE
MINISTRY OF NATURAL RESOURCES
MAY PROVIDE THIS SERVICE AND
LEVY APPROPRIATE CHARGES,

The present size of the regeneration program for large licensees is estimated to be about 140,000 acres at a cost of \$2.96 million. In view of increased industrial utilization, regeneration could occur at a faster rate in order to bring these areas close to sustained yield management. The costs to the larger companies will therefore be considerably more than the \$3 million (approximate) quoted above. Recognizing the questionable ability of the forest industry to absorb these additional costs and remain viable under current circumstances, the Committee further recommends

that:

- 14.32 COMPENSATION IN TERMS OF
REDUCED DUES BE PROVIDED TO
LICENSEES TO AMELIORATE IN
WHOLE, OR IN PART, THE COSTS
OF SILVICULTURE WHEN CARRIED
OUT BY THE LICENSEE.

In this regard, we envisage each company as undertaking an annual commitment of silvicultural work, the cost of which would be considered in determining its basic Crown dues. The reduction of dues should be in the nature of block funding in consideration of the licensee assuming full responsibility for maintaining productivity of the forest lands under licence. Costs for the initial calculation would be agreed upon between the Minister and the licensee. Work would be performed by the licensee according to a schedule and with the approval of the Ministry of Natural Resources using well-defined performance standards. Provision also should be made for periodic adjustment in basic dues and operating procedures.

The Committee therefore recommends that:

- 14.33 TOTAL GOVERNMENT COSTS FOR
FOREST MANAGEMENT AND
PROTECTION IN SUPPORT OF
FOREST INDUSTRIES BE
RECOVERED THROUGH A PHASED
PROGRAM OF INCREASING CROWN
DUES OVER THE NEXT FEW YEARS.

We have been advised that the forest industries are wasteful in their logging operations in that they

leave significant amounts of usable fibre and also choose to harvest only preferred species. We suggest that the efficient use of fibre per acre can be improved significantly, probably in the order of 25 per cent. The Committee recommends that:

- 14.34 THE SCHEDULE OF CHARGES FOR WASTEFUL PRACTICES BE RAISED TO A LEVEL THAT WILL REDUCE OR REMOVE SUCH WASTE.

We also understand that, if better harvesting techniques were employed, the costs of silvicultural operations would be reduced significantly. The Committee therefore recommends that:

- 14.35 LEGISLATION BE AMENDED TO ENSURE THAT MODIFIED CUTTING OF TREES WILL BE EMPLOYED WITHOUT COMPENSATION WHERE REQUIRED.

Finally, the Committee recommends that:

- 14.36 REVISED LEGISLATION, PERFORMANCE STANDARDS, AND MONITORING AND CONTROL PROCEDURES BE DEVELOPED AND IMPLEMENTED TO ENSURE THE EFFICIENT CONDUCT OF SILVICULTURAL OPERATIONS IN ONTARIO'S FORESTS.

PUBLIC SERVICE EMPLOYMENT
IN ONTARIO, 1966, 1970, AND 1974

	1966	1970	1974	Percentage Change 1966-70	1970-74
<u>Federal</u>	<u>179,600</u>	<u>189,800</u>	<u>242,800</u>	<u>5.7</u>	<u>27.9</u>
• Departmental services & other agencies	134,700	146,400	195,700	8.7	33.7
• Government enterprises	44,900	43,400	47,100	-3.3	8.5
<u>Provincial</u>	<u>197,400</u>	<u>271,800</u>	<u>336,300</u>	<u>37.7</u>	<u>23.7</u>
• Departmental services & other agencies	60,000	76,000	84,000	26.7	10.5
• Total civil servants	45,900	62,300	69,500	35.7	11.6
• Others	14,100	13,700	14,500	-2.8	5.8
• Major provincial agencies	22,900	30,400	33,800	32.8	11.1
• Ont. Northland Transpor. Commission	2,000	1,800	1,900	-10.0	5.6
• Niagara Parks Commission	400	400	400	-	-
• Liquor Control Board	3,500	4,000	6,000	14.3	50.0
• Workmen's Comp. Board	1,400	1,400	1,600	-	14.3
• Ontario Hydro	15,400	22,600	23,600	46.8	4.4
• Liquor Licence Board	200	200	300	-	50.0
• Education	13,700	33,400	44,500	143.8	33.2
• CAATS	-	7,800	12,200	-	56.4
• Universities	13,700	25,600	32,300	86.9	26.2
• Health & Welfare	100,800	132,000	174,000	31.0	31.8
• Public general Hospitals	71,600	91,300	101,600	27.5	11.3
• Chronic & rehab. hosps.	6,300	6,800	7,100	7.9	4.4
• Other health	19,900	29,100	55,300	46.2	90.0
• Social Services	3,000	4,800	10,000	60.0	108.3
<u>Local</u>	<u>195,100</u>	<u>250,900</u>	<u>264,400</u>	<u>28.6</u>	<u>5.4</u>
• Departmental services & other agencies	90,200	111,600	128,500	23.7	15.1
• Full-time employees	43,700	56,300	61,900	28.8	9.9
• Contract employees	13,500	16,700	22,000	23.7	31.7
• Local agencies	33,000	38,600	44,600	17.0	15.5
• Local school boards	104,900	139,300	135,900	32.8	-2.4
• Teachers	75,400	100,500	97,200	33.3	-3.3
• Other staff	29,500	38,800	38,700	31.5	-0.3
Total Government	572,100	712,500	843,500	24.5	18.4
Private Sector	2,078,900	2,283,500	2,675,500	9.8	17.2
TOTAL ECONOMY	2,651,000	2,996,000	3,519,000	13.0	17.5

Source: Statistics Canada, Civil Service Commission, Municipal Finance Branch, Ministry of Treasury, Economics and Intergovernmental Affairs, and agencies concerned.

Notes: Employment figures for provincial and local government relate to manpower fully or partially supported by the provincial government.

In a number of instances, part-time employee staff levels have been converted and are shown on a full-time equivalent basis.

APPENDIX II

REQUESTS FOR BRIEFS AND THE VIEWS OF 100 CITIZENS



PROVINCE OF ONTARIO Request for Submission of Briefs from the Public to the SPECIAL PROGRAM REVIEW

The Government of Ontario has established a Special Program Review to enquire into ways and means of reducing the costs of Government and public sector expenditures.

The Special Program review will welcome the views of the public on various courses of action which the Government might take to reduce public expenditures. Therefore, they will receive written briefs from any individual, group, organization or association which can provide suggestions to:

- (1) operate the existing programs of government more efficiently and economically,
- (2) deliver the desired public services in a different way to give better service at reduced cost;
- (3) reduce the level of service of programs whose benefits no longer have as high a priority as they once had;
- (4) phase out programs which have outlived their usefulness.

Briefs are requested by September 15, 1975.

The mailing address is:

Government of Ontario:
Special Program Review,
6th Floor, Frost Building S.,
Queen's Park, Toronto, Ontario.
M7A 1Z6

Advertisement that appeared in newspapers across Ontario in July 1975.

The Committee received written briefs from approximately one hundred organizations, business firms, and private citizens. The suggestions put forward are summarized below.

I SUGGESTIONS FOR OPERATING EXISTING PROGRAMS
OF GOVERNMENT MORE EFFICIENTLY AND ECONOMICALLY

- institute a management planning and evaluation system to encourage more and better program planning; use operational audits that focus on the planning system
- evaluate existing programs, keep successes, and throw out failures
- Ontario Economic Council should review government programs
- establish task forces on productivity for both provincial and municipal governments
- establish a branch reporting to the Premier to evaluate proposals for spending
- top three positions in each branch should be appointed by Cabinet and transferred frequently. Each person would approach his new post with a view to improving on the performance of his predecessor.
- use productivity measurement to establish control and evaluate output; emphasize planning, managing by objectives, organization development; set productivity levels that correspond with industry
- limit spending to programs that meet the needs of the whole population; demand justification before initiating new programs; increase self-discipline in spending; spend our money as it were your own
- eliminate duplication between provincial and federal governments in such areas as agriculture, higher education, trade promotion, tax collection, policing, administration of justice, statistical services

- eliminate duplication among ministries - such as mapping, grants
- consolidate municipal and provincial welfare systems
- reduce the size of the public service, particularly in the Premier's Office and those earning more than \$20,000
- ask retiring employees to give suggestions to improve efficiency
- institute suggestion schemes
- use smaller cars
- reduce heat in government buildings
- use smaller size paper and envelopes
- review public service retirement benefits that are higher than the population can afford
- streamline administrative systems such as legal aid and automobile licensing
- members of the assessment review court could handle other related assignments as well
- have special divorce judges to relieve supreme and county court judges and cut costs
- less costly school buildings and equipment should be used
- hospitals in a community could share various administrative services, such as computers, accounting, maintenance staff
- only one emergency medical facility should be permitted in each major urban area
- develop common definitions between the Ontario and federal government for corporation and sales tax administration
- assess sales tax revenue in relationship to cost of collection

II SUGGESTIONS FOR DELIVERING THE DESIRED PUBLIC SERVICES IN A DIFFERENT WAY, TO GIVE BETTER SERVICE AT A REDUCED COST

- greater use should be made of nursing homes and similar facilities to reduce the number of expensive hospital beds
- medical insurance should be returned to the private sector through PSI, Blue Cross, and similar plans
- token payments for some medical services would curb over-use
- hospital admissions should, in most cases, be justified by the physician before admission
- supplement the income of the working poor instead of putting them on welfare
- subsidize rents rather than build public housing
- municipal day care centres should not be established to compete with private centres unless there is a proven need for them. Subsidizing private day centres would be less expensive
- community colleges are not graduating students with the technical competence required by industry. An apprenticeship system combined with academic training would be preferable
- highway maintenance, snow clearing, and similar functions should be contracted to private business
- delegate inspection of liquor outlets to local police, fire, and health departments
- where new service needed, if possible contract out to private sector rather than increase public service
- property assessment should be returned to municipalities after market value has been established
- delegate many planning approval functions to municipalities that have Official Plans

III SUGGESTIONS FOR REDUCING THE LEVEL OF SERVICE
OF PROGRAMS WHOSE BENEFITS NO LONGER HAVE AS
HIGH A PRIORITY AS THEY ONCE HAD

- reassess benefits of tourist promotion and reduce cost of printed materials
- reduce government advertising
- community colleges offer a multiplicity of courses, many having doubtful value
- offer fewer subject options in high school
- cut back student busing
- student loans and grants should be more selective; loans should predominate over bursaries in many cases

IV SUGGESTIONS FOR PHASING OUT PROGRAMS THAT HAVE
OUTLIVED THEIR USEFULNESS

- the establishment of county school boards has led to excessive costs and the creation of a large number of administrative positions. Control of schools should be returned to local authorities
- eliminate Grade 13
- medical facilities continue to be staffed even when not used
- regional government is expensive and duplicates other levels of government; regional governments should be disbanded
- do not appoint useless Royal Commissions - such as the Royal Commission on Violence in the Communications Industry
- disband Ministry of Culture and Recreation
- discontinue all grants for arts, ethnic, cultural, and sports programs
- reassess need for Fathom Five Provincial Park
- fire ministers without portfolio
- reassess value of Ontario House vis-à-vis benefits

- phase out Soldiers' Aid Commission
- phase out Ontario Institute for Studies in Education
- disband educational television (the Ontario Educational Communications Authority)
- no welfare services should be provided to persons under 18 years of age
- able-bodied people who refuse to work should not receive welfare

V OTHER SUGGESTIONS

- more direct involvement of the community, business, and labour in government decision making is needed
- establish information programs for the community; greater public disclosure is needed
- establish a central urban data bank
- education costs should be paid from income taxes, not property taxes
- raise salaries of MPPs so they do not have to serve on boards and commissions
- government salaries should follow, not lead, the private sector. Canada's public sector wage settlements are higher than those in the United States, thus contributing to inflation
- teaching salaries should be equated to value of service to students and the community, not experience or academic qualifications
- recover total costs of parks, day care centres, and similar facilities through user charges
- do not establish regional health councils
- do not establish a provincial dental care plan or finance it through the Ontario Lottery
- establish a debt ceiling by law and limit tax revenues to a specific portion of the Gross National Product

- the government provides good services to senior citizens
- use senior citizens to help staff parks, information booths, and similar facilities
- standardize school curriculum and achievement ratings across Canada
- contingency legal fees should not be permitted; these lead to excessive malpractice suits and consequently higher medical costs
- courts should be allowed to require community service as an alternative to imprisonment
- raise drinking age to 21 to reduce crime
- change policies so that federal government could make grants to municipalities to service residential land
- do not borrow money in Germany
- Ombudsman should investigate complaints of government inefficiency
- recent nursing graduates lack clinical experience; an internship should be established
- the benefits of homeopathy should be investigated
- people should do more for themselves
- welfare payments should be less than the minimum wage to encourage people to work
- welfare parents should be sterilized or permanently excluded from the welfare system
- legal aid is very good
- establish Canadian content rules for theatrical performances by Canadian playwrights
- stop building expressways in Toronto

APPENDIX III

SUMMARY OF RECOMMENDATIONS

CHAPTER 4

MANAGEMENT AND ADMINISTRATION

- 4.1 THE MULTI-YEAR PLANNING PROCESS BE STRENGTHENED AND USED BY THE GOVERNMENT AS THE KEY SYSTEM FOR ESTABLISHING FUTURE FUNDING REQUIREMENTS FOR GOVERNMENT PROGRAMS.
- 4.2 AGENCIES, BOARDS, AND COMMISSIONS OF THE ONTARIO GOVERNMENT MUST CONFORM TO THE SPENDING PRIORITIES AND FINANCIAL RESTRAINTS ESTABLISHED BY THE GOVERNMENT.
- 4.3 FURTHER DELEGATION OF DECISION MAKING IN GOVERNMENT NOT BE PERMITTED UNLESS CLEAR ACCOUNTABILITY CAN BE ESTABLISHED IN THE ORGANIZATIONAL UNIT TO WHICH AUTHORITY IS BEING DELEGATED.
- 4.4 BEFORE FURTHER REGIONALIZATION OF THE DELIVERY OF PUBLIC SERVICES IS PERMITTED, A CAREFUL AND THOROUGH ANALYSIS BE UNDERTAKEN OF THE ASSOCIATED COSTS AND BENEFITS TO ENSURE THAT EXPENDITURES OF THIS TYPE ARE FULLY JUSTIFIED.

- 4.5 THE GOVERNMENT DEVELOP A CAPABILITY FOR EVALUATING SPECIFIC PROGRAMS SELECTED BY CABINET FOR REVIEW. THE EVALUATION TEAM SHOULD REPORT TO CABINET AND SHOULD INCLUDE MEMBERS FROM THE PRIVATE SECTOR, FROM THE MINISTRY OR MINISTRIES INVOLVED IN PROGRAM DELIVERY, AND FROM THE CENTRAL AGENCIES.
- 4.6 EXPENDITURES ON MINISTRY SUPPORT SERVICES BE HELD TO ZERO GROWTH IN 1976-77 AND NO ALLOWANCE BE MADE FOR INFLATION.
- 4.7 CABINET INITIATE AN INDEPENDENT ASSESSMENT OF THE SCIENTIFIC ACTIVITIES OF THE GOVERNMENT WITH A VIEW TO ENSURING THAT GOVERNMENT RESEARCH IS RELEVANT AND DIRECTED TOWARDS CLEARLY DEFINED, PRACTICAL OBJECTIVES.
- 4.8 MANAGEMENT BOARD TAKE IMMEDIATE ACTION TO DEAL WITH THE SPECIAL STUDY GROUP REPORTS ON STATISTICAL SERVICES AND POLICY PLANNING AND PROGRAM ANALYSIS.
- 4.9 CABINET GIVE PRIORITY TO AN IMMEDIATE IN-DEPTH REVIEW OF GOVERNMENT AND SPECIFICALLY MINISTRY STRUCTURE, WITH A VIEW TO REDUCING THE SIZE AND COST OF ADMINISTRATIVE SUPPORT SERVICES AND OVERHEADS.

CHAPTER 5

DUPLICATION OF GOVERNMENT PROGRAMS

- 5.1 THE PROVINCE UNDERTAKE A THOROUGH EXAMINATION OF PROGRAM AREAS WITH A VIEW TO RATIONALIZING THE PROVISION OF SERVICES SO AS TO REDUCE OVERALL COSTS TO THE TAXPAYER AND TO CLARIFY FOR THE INDIVIDUAL CITIZEN THE ROLES AND RESPONSIBILITIES OF THE THREE LEVELS OF GOVERNMENT.
- 5.2 WHERE POSSIBLE, THE PROVINCE TAKE DIRECT AND UNILATERAL ACTION TO WITHDRAW FROM DUPLICATED PROGRAMS.
- 5.3 WHERE WITHDRAWAL FROM DUPLICATED PROGRAMS IS NOT FEASIBLE, THE PROVINCE INITIATE NEGOTIATIONS WITH THE GOVERNMENT OF CANADA, OTHER PROVINCIAL GOVERNMENTS, AND LOCAL GOVERNMENTS TO ACHIEVE A RATIONALIZATION OF SERVICES.

CHAPTER 6

PUBLIC SECTOR MANPOWER

- 6.1 THE GOVERNMENT PLACE
INCREASED EMPHASIS ON
THE NEED FOR MANAGEMENT
TO IMPROVE PRODUCTIVITY
IN DELIVERING PUBLIC
SERVICES.
- 6.2 MERIT INCREASES NOT BE AUTOMATIC
BUT BE CLEARLY RELATED TO
PERFORMANCE.
- 6.3 FURTHER EXPANSIONS IN STAFF
LEVELS NOT BE PERMITTED
UNLESS IMPROVEMENT IN THE
QUALITY OF PUBLIC SERVICES IS
CLEARLY DEMONSTRABLE.
- 6.4 THE CIVIL SERVICE COMMISSION
AND OTHER AGENCIES WITH
RESPONSIBILITY FOR EM-
PLOYMENT IN THE PUBLIC
SERVICE REVIEW JOB
SPECIFICATIONS TO
ALLEVIATE UNNECESSARY OR
INAPPROPRIATE EMPHASIS ON
THE ACADEMIC QUALIFICATIONS
OF APPLICANTS FOR VACANT
POSITIONS.
- 6.5 THE GOVERNMENT ENCOURAGE
THE EMPLOYMENT OF PART-
TIME STAFF, WHERE APPRO-
PRIATE, TO PERMIT A
FLEXIBLE RESPONSE TO
FLUCTUATIONS IN THE DE-
MAND FOR SERVICES, TO
MAKE USE OF ALTERNATIVE
SOURCES OF MANPOWER, AND
TO CONTROL COSTS.

- 6.6 THE GOVERNMENT ENCOURAGE THE DEVELOPMENT OF LABOUR-SAVING TECHNOLOGY IN APPROPRIATE AREAS TO REDUCE PAYROLL COSTS AND ENSURE THAT THE BENEFITS OF SUCH DEVELOPMENTS ARE APPLIED IN THE PUBLIC INTEREST.
- 6.7 AN EQUITABLE SEVERANCE POLICY BE DEVELOPED FOR THOSE IN THE PUBLIC SERVICE WHO ARE NO LONGER PRODUCTIVE OR FOR WHOM THERE IS NO LONGER ANY SUITABLE JOB.
- 6.8 THE GOVERNMENT DEVELOP PROCEDURES TO EXAMINE CRITICALLY THE USE OF HUMAN RESOURCES WITH A VIEW TO DEVELOPING A MANPOWER STRATEGY TO CONTROL THE GROWTH IN PUBLIC SECTOR EMPLOYMENT.
- 6.9 GUIDELINES TO FORM A BASIS FOR DETERMINING PUBLIC SECTOR WAGES AND FRINGE BENEFITS BE ESTABLISHED EACH YEAR BY THE LEGISLATURE, AND THESE GUIDELINES PROVIDE A GENERAL FRAMEWORK FOR THE COLLECTIVE BARGAINING PROCESS.
- 6.10 PUBLIC SECTOR WAGES REMAIN COMPETITIVE WITH BUT NOT EXCEED WAGE LEVELS FOR COMPARABLE POSITIONS IN THE PRIVATE SECTOR.

- 6.11 THE JOB SECURITY THAT EXISTS
IN THE PUBLIC SECTOR BE
REFLECTED IN EXISTING SALARY
PATTERNS.
- 6.12 ADJUSTMENTS IN REAL WAGE
LEVELS BE COMMENSURATE
WITH DEMONSTRATED GAINS
IN PRODUCTIVITY.
- 6.13 IN NEGOTIATING CONTRACTS,
MANAGEMENT EMPHASIZE
PRODUCTIVITY AND DISCOURAGE
THE INCLUSION OF CLAUSES
THAT WILL LEAD TO INCREASED
MANPOWER REQUIREMENTS.
- 6.14 A REVIEW BE UNDERTAKEN OF
PAY STANDARDS FOR POSITIONS
FOR WHICH THERE IS NO COUNTER-
PART IN THE PRIVATE SECTOR,
SUCH AS THOSE FILLED BY
SOCIAL WORKERS, NURSES, AND
TEACHERS, TO DETERMINE
APPROPRIATE LEVELS OF
REMUNERATION.
- 6.15 REGIONAL DIFFERENTIALS IN
PAY PATTERNS BE EXAMINED TO
DETERMINE THE IMPACT OF
UNDIFFERENTIATED PUBLIC
SECTOR WAGE LEVELS.
- 6.16 THE PROVINCE MAKE IT CLEAR
TO ALL AGENCIES RECEIVING
TAXPAYER SUPPORT THAT
THEY CANNOT EXPECT PROVINCIAL
ASSISTANCE TO OFFSET
INFLATIONARY WAGE SETTLE-
MENTS.

- 6.17 COSTS ASSOCIATED WITH EXISTING PRACTICES RELATING TO MERIT INCREASES, THE LENGTH OF SALARY RANGES, AND THE EASE IN MOVING TO A HIGHER CLASSIFICATION BE REVIEWED AND BROUGHT UNDER TIGHTER CONTROL.
- 6.18 THE PREPARATION AND DISSEMINATION TO THE PUBLIC OF INFORMATION ON COLLECTIVE BARGAINING NEGOTIATIONS AND THE COSTS OF SETTLEMENTS BE IMPROVED.
- 6.19 IN FUTURE CONTRACT NEGOTIATIONS, THE INCLUSION OF COST-OF-LIVING ADJUSTMENTS BE DISCOURAGED.
- 6.20 THE PUBLIC SECTOR DEVELOP A STANDARD APPROACH FOR COSTING FRINGE BENEFITS, IN ORDER TO PERMIT COMPARABILITY WITHIN THE PUBLIC SECTOR AND WITH THE PRIVATE SECTOR.
- 6.21 BARGAINING BE CONDUCTED ON THE BASIS OF THE ACTUAL COST OF THE BENEFIT PACKAGE AND COMPARISONS OF COVERAGE PROVIDED, RATHER THAN ON A PIECEMEAL COMPARISON OF INDIVIDUAL BENEFITS.
- 6.22 THE INTRODUCTION OF FURTHER MAJOR IMPROVEMENTS IN PENSION PLANS BE RESISTED UNTIL THERE IS A CLEAR INDICATION OF FUTURE CHANGES IN THE CANADA PENSION PLAN AND TRENDS IN PRIVATE SECTOR PENSION PLANS.

CHAPTER 7

POST-SECONDARY EDUCATION

- 7.1 THE GOVERNMENT LIFT ITS CONTROL ON TUITION FEES AND ALLOW UNIVERSITIES AND COLLEGES, EITHER COLLECTIVELY OR INDIVIDUALLY, TO DETERMINE THE APPROPRIATE FEE LEVELS THAT WILL PERMIT THE EFFICIENT DELIVERY OF HIGH-QUALITY EDUCATION WHILE AT THE SAME TIME MAINTAINING PUBLICLY ACCEPTABLE ENTRANCE STANDARDS.
- 7.2 THE LEVEL OF GOVERNMENT SUPPORT BE GRADUALLY ADJUSTED OVER A PERIOD OF SEVERAL YEARS SO AS TO ALLOW AN INCREASE IN THE PROPORTION OF UNIVERSITY AND COLLEGE COSTS COVERED BY TUITION FEES.
- 7.3 THE ONTARIO COUNCIL ON UNIVERSITY AFFAIRS AND THE COUNCIL OF REGENTS FOR COLLEGES OF APPLIED ARTS AND TECHNOLOGY BE REQUESTED TO CONTINUE TO DEVELOP FORMULAS FOR THE DISTRIBUTION OF PROVINCIAL SUPPORT THAT WILL GIVE SOME RECOGNITION TO ENROLMENT CHANGES.
- 7.4 FULL SUPPORT BE GIVEN TO THE RECOMMENDATIONS OF THE COMMISSION ON POST-SECONDARY EDUCATION IN ONTARIO TO DISCOURAGE THE USE OF ACADEMIC ACHIEVEMENT OR PAPER CREDENTIALS AS A JOB SCREENING MECHANISM.

- 7.5 THE PROVINCE'S SUPPORT FOR PART-TIME GENERAL-INTEREST COURSES IN COLLEGES OF APPLIED ARTS AND TECHNOLOGY BE PHASED OUT SO AS TO PUT THEM ON A FULL-COST RECOVERY BASIS AND THE COLLEGES BE ENCOURAGED TO DIRECT THEIR EFFORTS TOWARDS PROVIDING VOCATIONAL AND TECHNICAL TRAINING OF THE HIGHEST CALIBRE. IN THIS CONNECTION, COLLEGES SHOULD ALSO CONSIDER SHORTENING CERTAIN COURSES AND PROGRAMS OF STUDY.
- 7.6 NO ADDITIONAL PROVINCIAL FUNDS BE MADE AVAILABLE FOR NEW UNIVERSITY PROGRAMS AT THE GRADUATE LEVEL.
- 7.7 THE GLOBAL BUDGETING FINANCING APPROACH BE CONTINUED AS A MEANS OF ACHIEVING THE OBJECTIVES OF AUTONOMY, EFFICIENCY, AND QUALITY IN POST-SECONDARY EDUCATIONAL INSTITUTIONS.
- 7.8 AS A FIRST STEP, THE MAXIMUM PROVINCIAL GRANT BE DECREASED FROM \$3,200 TO \$2,200 AND THE LOAN PORTION BE INCREASED FROM \$800 TO \$1,800, THE CURRENT MAXIMUM UNDER THE CANADA STUDENT LOAN PLAN.
- 7.9 THE PROVINCE INITIATE NEGOTIATIONS WITH OTHER PROVINCES AND THE FEDERAL GOVERNMENT TO REPLACE EXISTING STUDENT ASSISTANCE SCHEMES BY A NEW GUARANTEED ALL-LOAN PLAN WITH REPAYMENT PROVISIONS BASED ON SUBSEQUENT EARNINGS. CON-

SIDERATION ALSO SHOULD BE GIVEN TO SEVERING THE RELATIONSHIP BETWEEN PARENTAL INCOME AND ELIGIBILITY FOR THIS NEW LOAN PLAN FOR ALL STUDENTS AGED 18 YEARS AND OVER.

- 7.10 IF THE PROPOSED NEGOTIATIONS ARE UNSUCCESSFUL, THE GRANTS PORTION OF THE EXISTING PLAN BE REPLACED BY A NEW LOAN PLAN SIMILAR TO THE ONE DESCRIBED IN RECOMMENDATION 7.9, THIS PLAN WOULD SUPPLEMENT THE CANADA STUDENT LOAN PLAN, AS IT EXISTS NOW AND AS IT MAY BE REVISED FROM TIME TO TIME.
- 7.11 CONCURRENTLY WITH RECOMMENDATIONS 7.9 OR 7.10, A BURSARY PROGRAM BE ESTABLISHED BY THE PROVINCE AND ADMINISTERED DIRECTLY BY POST-SECONDARY INSTITUTIONS TO RECOGNIZE BOTH ACADEMIC ACHIEVEMENT AND FINANCIAL NEED, SO THAT ANY BARRIERS TO OUTSTANDING STUDENTS FROM LOW-INCOME FAMILIES WOULD BE REMOVED.
- 7.12 THE GOVERNMENT REVIEW THE NEED TO BE INVOLVED IN PROGRAMS OF MANPOWER TRAINING OTHER THAN THOSE FUNDED BY THE FEDERAL GOVERNMENT.
- 7.13 THE GOVERNMENT TAKE THE NECESSARY STEPS TO DISCONTINUE ITS INVOLVEMENT IN THE COMPULSORY CERTIFICATION OF TRADESMEN AND APPRENTICES.

CHAPTER 8

HEALTH CARE

- 8.1 BEFORE PRESENT HOSPITAL FACILITIES ARE EXPANDED OR NEW FACILITIES ARE ADDED, THE GOVERNMENT AND HOSPITAL BOARDS TOGETHER ENSURE THAT EXISTING ACCOMMODATION IS BEING FULLY AND APPROPRIATELY UTILIZED.
- 8.2 IN LARGER URBAN AREAS, HOSPITALS BE REQUIRED TO SPECIALIZE IN SELECTED MEDICAL AND SURGICAL PROCEDURES TO ACHIEVE A MORE PRODUCTIVE UTILIZATION OF FACILITIES AND IMPROVED CALIBRE OF CARE.
- 8.3 CONSIDERATION BE GIVEN TO PHASING OUT SURPLUS BEDS AND EXPENSIVE TREATMENT FACILITIES IN SOME HOSPITALS, PARTICULARLY THOSE IN OR ADJACENT TO URBAN CENTRES.
- 8.4 PUBLIC HOSPITALS BE AUTHORIZED TO INCREASE SUBSTANTIALLY THE DAILY CHARGES FOR PRIVATE AND SEMI-PRIVATE ACCOMMODATION.
- 8.5 THE MINISTRY OF HEALTH AMALGAMATE THE VARIOUS FUNDS THAT EXIST AT PRESENT INTO A SINGLE CAPITAL FUND FOR THE CONSTRUCTION OF HEALTH FACILITIES.

- 8.6 GRANT FORMULAS BE STANDARDIZED FOR ALL HOSPITALS AND A MAJOR LOCAL COMMITMENT OF FUNDS BE REQUIRED FOR CAPITAL PROJECTS. APPROVAL OF PLANS TO CONSTRUCT REPLACEMENT FACILITIES WILL BE CONTINGENT ON CLEAR EVIDENCE THAT SUCH FACILITIES WILL BE ABLE TO PROVIDE SERVICES AT A LOWER COST THAN THOSE ALREADY IN PLACE.
- 8.7 THERE BE A THOROUGH EXAMINATION OF PUBLIC HOSPITAL OPERATING COSTS, WITH PARTICULAR CONCENTRATION ON WAYS OF REDUCING THE TOTAL PAID HOURS OF HOSPITAL STAFF, THE OBJECTIVE OVER THE NEXT THREE-YEAR PERIOD SHOULD BE TO IMPROVE EFFICIENCY AND REDUCE COSTS BY 10 PER CENT, EXCLUDING THE EFFECTS OF INFLATION.
- 8.8 EFFORTS BE CONTINUED TO ASSESS AND DEVELOP ECONOMICALLY FEASIBLE AND EFFECTIVE ALTERNATIVES TO THE PUBLIC HOSPITAL SYSTEM FOR THE DELIVERY OF HEALTH CARE TO RESIDENTS OF ONTARIO, PROVIDED THAT THESE SERVICES CAN BE OPERATED AT A LOWER COST AND EASE THE NEED FOR HOSPITAL FACILITIES.
- 8.9 THE GOVERNMENT ACT TO ENSURE THAT THE RATIO OF DOCTORS TO POPULATION NOT BE INCREASED BEYOND ITS PRESENT LEVEL OF ONE PHYSICIAN FOR EVERY 585 PEOPLE.
- 8.10 THE GOVERNMENT TAKE THE NECESSARY STEPS TO CONTROL THE TOTAL NUMBER OF LICENSED DOCTORS, THE NUMBER AND TYPE OF TRAINING POSTS, AND

THE GEOGRAPHICAL DISTRIBUTION
OF BOTH GENERAL PRACTITIONERS
AND SPECIALISTS THROUGHOUT THE
PROVINCE.

- 8.11 PLANS TO EXPAND ONTARIO'S
MEDICAL SCHOOLS BEYOND THEIR
PRESENT CAPACITY BE CURTAILED.
- 8.12 TRAINING PROGRAMS FOR DOCTORS
MAINTAIN AN ADEQUATE SUPPLY OF
GENERAL PRACTITIONERS IN THE
PROVINCE.
- 8.13 REIMBURSEMENT PROCEDURES FOR
LABORATORIES BE EXAMINED WITH
A VIEW TO CONTROLLING THE
VOLUME AND ENSURING THE
EFFICIENT PROVISION OF SERVICES.
- 8.14 THE MINISTRY OF HEALTH IN
COOPERATION WITH THE MEDICAL
PROFESSION AND THE ONTARIO
HOSPITAL ASSOCIATION BE DIRECTED
TO PROVIDE TO THE GOVERNMENT BY
APRIL 1, 1976 ALTERNATIVE PROPOSALS
FOR FINANCIAL AND OTHER WAYS TO
INCREASE PUBLIC AWARENESS OF HEALTH
COSTS AND TO DISCOURAGE CARELESS
OR UNNECESSARY USE OF HEALTH SERVICES.
- 8.15 IN THE LONGER TERM, THE GOVERNMENT
EXTEND BLOCK FUNDING TO A LOCALLY
ELECTED BODY FOR ALL ASPECTS OF
HEALTH EXPENDITURES, EXCLUDING
MEDICAL SERVICES, AND INITIAL
STEPS BE TAKEN IN THIS DIRECTION.

CHAPTER 9

SOCIAL SECURITY

- 9.1 SOCIAL SECURITY PROGRAMS AT THE PROVINCIAL LEVEL INCLUDE INCENTIVES TO WORK AND THE GOVERNMENT OF ONTARIO ENDEAVOUR, WHENEVER POSSIBLE, TO PERSUADE THE FEDERAL GOVERNMENT TO ADOPT THE SAME PRINCIPLE.
- 9.2 FUTURE SOCIAL SECURITY INITIATIVES UTILIZE SELF-FINANCING MECHANISMS SUCH AS SOCIAL INSURANCE TO LOWER SOCIAL SECURITY COSTS AND MAINTAIN INCENTIVES TO WORK.
- 9.3 FUTURE PROGRAMS BE CAREFULLY COORDINATED AND INTEGRATED WITH EXISTING PROGRAMS AND, WHERE POSSIBLE, BE FINANCED THROUGH SAVINGS GENERATED FROM EXISTING PROGRAMS.
- 9.4 SELECTIVITY OF TARGET GROUPS BE IMPROVED THROUGH THE APPLICATION OF MORE STRINGENT ELIGIBILITY CRITERIA TO PREVENT PAYMENT OF BENEFITS TO INDIVIDUALS WHO DO NOT NEED THEM.
- 9.5 THE PROPORTION OF THE PROVINCIAL BUDGET THAT IS ALLOCATED TO SOCIAL SECURITY BE LOWERED FROM ITS PRESENT LEVEL.

- 9.6 RESPONSIBILITY FOR UNEMPLOYED
PERSONS RECEIVING GENERAL
WELFARE ASSISTANCE BE
TRANSFERRED TO THE FEDERAL
GOVERNMENT.
- 9.7 TO THE EXTENT THAT SIGNIFICANT
SAVINGS CAN BE MADE, THE
ADMINISTRATION OF SOCIAL
SECURITY PROGRAMS BE INTEGRATED
INTO ONE CENTRAL UNIT.

CHAPTER 10

LOCAL GOVERNMENT ORGANIZATION AND FINANCIAL ASSISTANCE

- 10.1 FURTHER INTRODUCTION OF REGIONAL GOVERNMENTS OR RESTRUCTURED COUNTIES BE POSTPONED.
- 10.2 IF, IN THE FUTURE, IT IS DECIDED THAT ADDITIONAL RE-STRUCTURING SHOULD OCCUR, A PRIME PREREQUISITE BE THE ACHIEVEMENT OF COST SAVINGS RATHER THAN THE EXPANSION OF SERVICES.
- 10.3 IF FUTURE LOCAL GOVERNMENT REORGANIZATIONS BECOME NECESSARY, THE INITIATIVE FOR REORGANIZATION REST ENTIRELY AT THE LOCAL LEVEL OF GOVERNMENT.
- 10.4 PRESENT SPECIAL AND TRANSITIONAL FINANCIAL ASSISTANCE TO REGIONAL GOVERNMENTS NOT BE INCREASED OR EXTENDED, SO THAT NEW REGIONS WILL BE REQUIRED TO ASSUME FULL RESPONSIBILITY FOR THEIR FUTURE EXPENDITURE DECISIONS.
- 10.5 EXISTING REGIONAL GOVERNMENTS AND RESTRUCTURED COUNTIES CAREFULLY RE-EXAMINE THEIR EXPENDITURES AND THEIR INTENTIONS REGARDING FUTURE EXPANSION OF SERVICE.
- 10.6 THE PROVINCE STRENGTHEN ITS AUDIT AND DISCLOSURE REQUIREMENTS UPON LOCAL GOVERNMENT TO ENSURE THAT PROVINCIAL AND LOCAL TAXPAYERS GET FULL VALUE FOR THEIR MONEY.

- 10.7 THE PROVINCE LIMIT ITS SUPPORT OF SCHOOL BOARDS AND LOCAL GOVERNMENTS GENERALLY TO THE AVAILABLE FINANCES AS DEFINED IN THE EDMONTON COMMITMENT. IMPLEMENTATION OF THIS PROPOSAL WILL REQUIRE MODIFICATION OF EXISTING OPEN-ENDED COST-SHARING FORMULAS.
- 10.8 THE NEW FUNDS GENERATED BY THE EDMONTON COMMITMENT EACH YEAR BE DIVIDED EQUALLY BETWEEN SCHOOL BOARD SUPPORT AND ALL OTHER FORMS OF LOCAL FINANCIAL ASSISTANCE.
- 10.9 IN VIEW OF THE CONTINUING DECLINE IN ENROLMENT, SCHOOL BOARD SPENDING BECOME A DECLINING PROPORTION OF THE GROSS PROVINCIAL PRODUCT.
- 10.10 THE PROVINCE SEEK WAYS AND MEANS TO CONTAIN THE ESCALATION OF COSTS IN THE EDUCATION SYSTEM. IN THIS RESPECT, THE IMPOSITION OF SPENDING CEILINGS DOES NOT APPEAR TO BE A SUFFICIENTLY EFFECTIVE MEANS OF CONTROL.
- 10.11 THE PROVINCE IMMEDIATELY REVIEW ITS CONDITIONAL GRANT PROGRAMS WITH A VIEW TO AVOIDING COMMITMENTS TO NEW OPEN-ENDED, AND COSTLY UNDERTAKINGS, PARTICULARLY IN THOSE AREAS OF SUPPORT WHERE THE PROVINCIAL SHARE EXCEEDS 50 PER CENT.

10.12 THE PROVINCE SUBSTITUTE
UNCONDITIONAL ASSISTANCE FOR
EXISTING OPEN-ENDED CONDITIONAL
GRANT PROGRAMS.

CHAPTER 11

CAPITAL EXPENDITURES

- 11.1 EXISTING CAPITAL AGRICULTURAL ASSISTANCE PROGRAMS BE RE-EXAMINED IN THE LIGHT OF EMERGING INCOME STABILIZATION PROGRAMS AND CONCERN FOR THE LONG-TERM PROTECTION OF PRIME AGRICULTURAL LANDS.
- 11.2 TO ENCOURAGE INDUSTRIAL GROWTH, THE MINISTRY OF INDUSTRY AND TOURISM DEVELOP, IN CONCERT WITH THE BANKING COMMUNITY, A \$25-50 MILLION LOAN PROGRAM WITH PROVINCIAL GUARANTEES FOR EASTERN AND NORTHERN ONTARIO, AND PROVINCIAL LOANS BE PHASED OUT AT THE SAME TIME.
- 11.3 IMPLEMENTATION OF THE PROGRAM TO SERVICE INDUSTRIAL PARKS IN NORTHERN AND EASTERN ONTARIO BE CAREFULLY STAGED AND MONITORED, TO ENSURE THAT SUCH PARKS WILL BE DEVELOPED AT A PACE THAT MATCHES THE CAPACITY OF COMMUNITIES TO FIND OCCUPANTS FOR THEM.
- 11.4 PROGRAMS TO PROVIDE ACCESS ROADS BE CAREFULLY EXAMINED TO ENSURE THAT THE PROVINCE IS REIMBURSED BASED ON AN EQUITABLE ALLOCATION TO THE RESOURCE INDUSTRIES CONCERNED.
- 11.5 THE ALTERNATIVE BE EXPLORED OF REQUIRING RESOURCE INDUSTRIES TO

PROVIDE THEIR OWN ACCESS ROADS
WHEREVER POSSIBLE, ACCORDING TO
PREDETERMINED STANDARDS.

- 11.6 THE ONTARIO TRANSPORTATION
DEVELOPMENT CORPORATION
CONTINUE TO CARRY OUT ITS
ORIGINAL MANDATE OF EN-
COURAGING PRIVATE SECTOR
INVOLVEMENT IN THE DEVELOPMENT
OF IMPROVED URBAN TRANSIT SYSTEMS
WITH PROVINCIAL CAPITAL SUPPORT
REMAINING AT ITS PRESENT
LEVEL.
- 11.7 THE REGIONAL PRIORITY BUDGET
BE CONTINUED AND EFFORTS MADE
TO IMPROVE PROCEDURES
RELATING TO THE DETERMINATION OF
PRIORITIES AND THE COORDINATION OF
ACTIVITIES.
- 11.8 THE PROVINCE FREEZE OFFICE
ACCOMMODATION AT ITS PRESENT
LEVEL AND ALSO ADJUST
STANDARDS FOR OFFICE SPACE
TO ACHIEVE MORE EFFICIENT
USE OF EXISTING ACCOMMODATION.
- 11.9 CAPITAL REQUESTS RECEIVED BY
THE MINISTRY OF GOVERNMENT
SERVICES FOR COURT HOUSES
AND INSTITUTIONAL FACILITIES
BE CRITICALLY EXAMINED AND
APPROVALS BE LIMITED TO
SITUATIONS OF EXTREME URGENCY.
- 11.10 PROVINCIAL INVESTMENTS IN FLOOD
CONTROL PROGRAMS BE CAREFULLY
EXAMINED AND CONSIDERATION BE

GIVEN TO ALTERING PRESENT
COST-SHARING RELATIONSHIPS
TO ACHIEVE A LARGER LOCAL
FINANCIAL COMMITMENT.

- 11.11 CURRENT LIMITS OF \$60 IN
EXTRAORDINARY EXPENDITURES
PER ELEMENTARY PUPIL AND
\$90 PER SECONDARY PUPIL
BE RAISED, THE 90-98
PER CENT LEVELS OF
SUPPORT FOR CAPITAL EX-
PENDITURES BE REDUCED TO
75 PER CENT, AND EXISTING
PLANNING AND TRANSPORTATION
STANDARDS BE RE-EXAMINED.

- 11.12 THE PRESENT PRACTICE WHEREBY
THE PROVINCE PROVIDES NEARLY
ALL OF THE CAPITAL FUNDING
FOR SCHOOL PURPOSES BE
ALTERED TO ALLOW THE MAJOR BOARDS
TO RAISE THEIR OWN FUNDS BY
BORROWING ON THE PUBLIC
CAPITAL MARKET. THE PROVINCE
SHOULD, HOWEVER, RETAIN THE
RIGHT TO APPROVE OR REFUSE
PROPOSALS FOR CAPITAL
PROJECTS IN THE FIELD OF
EDUCATION.

- 11.13 THE LIMITS SET IN 1973 OF \$130
FOR SEWAGE AND \$110 FOR WATER,
ABOVE WHICH A 75 PER CENT SUBSIDY
APPLIES, BE RAISED TO REFLECT
INCREASING COSTS. RATHER THAN
WRITING OFF THE CAPITAL COSTS
ABOVE THE HOUSEHOLD RATE LIMITS
IN EFFECT AT THE TIME OF
CONSTRUCTION, AMORTIZATION PAY-
MENTS SHOULD BE FORGIVEN ON THE
BASIS OF EXISTING HOUSEHOLD
RATE LIMITS AND ADJUSTED IN
FUTURE YEARS TO REFLECT CHANGING
TRENDS IN HOUSEHOLD CHARGES.

- 11.14 THE PROVINCE DEVELOP A FORMULA THAT WOULD ENCOURAGE LARGER MUNICIPALITIES TO RAISE MONIES BY BORROWING ON THE PUBLIC CAPITAL MARKET.
- 11.15 THE MINISTRY OF THE ENVIRONMENT RESTAGE CAPITAL PROJECTS TO REDUCE CASH FLOW REQUIREMENTS, WITH FIRST PRIORITY BEING GIVEN TO ENVIRONMENTAL WORKS ASSOCIATED WITH ECONOMIC DEVELOPMENT OR NEEDED TO INCREASE SERVICED LAND IN AREAS WHERE NEW HOUSING STARTS ARE REQUIRED IN THE SHORT TERM.
- 11.16 THE PROVINCE RE-EXAMINE THE EXISTING GRANT STRUCTURE WITH A VIEW TO REDUCING GRANT LEVELS FOR ROADS AND BRIDGES TOWARDS 50 PER CENT FOR STRONGER MUNICIPALITIES, AND AT THE SAME TIME APPROPRIATE ADJUSTMENTS BE MADE IN UNCONDITIONAL GRANTS.
- 11.17 THE CURRENT LEVEL OF PROVINCIAL EXPENDITURES ON PROVINCIAL HIGHWAYS AND RURAL COUNTY ROADS BE REDUCED, WITH EMPHASIS BEING PLACED ON FACILITIES REQUIRED FOR ECONOMIC DEVELOPMENT.
- 11.18 A STUDY BE UNDERTAKEN TO FIND WAYS OF ENCOURAGING FULLER USE OF COUNTY ROAD NETWORKS TO COMPLEMENT THE PROVINCIAL HIGHWAY SYSTEM IN MEETING THE INTER-URBAN TRANSPORTATION NEEDS OF ONTARIO AND TO EASE FUTURE REQUIREMENTS FOR CAPITAL INVESTMENT.

- 11.19 THE MINISTRY OF TRANSPORTATION AND COMMUNICATIONS COMPLETE AS QUICKLY AS POSSIBLE ITS STUDY OF POSSIBLE CHANGES TO CAPITAL AND OPERATING SUBSIDIES TO SLOW CAPITAL INVESTMENTS AND ENSURE THE RATIONAL DEVELOPMENT AND EFFICIENT OPERATION OF MUNICIPAL TRANSIT SYSTEMS.
- 11.20 THE STUDY BE EXTENDED TO DEVELOP AND RATIONALIZE MUNICIPAL TRANSPORTATION ASSISTANCE CONSISTENT WITH THE VIEW THAT INVESTMENTS IN ROADS AND TRANSIT ARE COMPLEMENTARY ALTERNATIVES IN MEETING LOCAL TRANSPORTATION REQUIREMENTS.
- 11.21 THE PROVINCE ENCOURAGE LENDING INSTITUTIONS AS THE PRIME SOURCE OF FINANCING FOR NEW OWNERSHIP AND RENTAL ACCOMMODATION TO INCREASE THEIR PARTICIPATION AND THE PROVINCE DIRECT ITS FUNDS TOWARDS COMPLEMENTING THIS SUPPORT IN AN APPROPRIATE MANNER, IN ACCORDANCE WITH EXISTING ECONOMIC CONDITIONS.
- 11.22 THE PROVINCE UNDERTAKE STUDIES TO DETERMINE THE LEVEL OF HOUSING ACTIVITY REQUIRED OVER THE NEXT FIVE YEARS BASED ON CURRENT POPULATION TRENDS.
- 11.23 THE GOVERNMENT SUPPORT THE INCREASED PRODUCTION OF OWNERSHIP UNITS, INCLUDING CONDOMINIUM APARTMENTS AND TOWNHOUSES, WITH A POSSIBLE TARGET BEING 70 PER CENT OWNERSHIP PER YEAR OVER THE NEXT FIVE YEARS.

- 11.24 WITHIN EXISTING COST-SHARING
ARRANGEMENTS WITH CENTRAL MORT-
GAGE AND HOUSING CORPORATION,
10 PER CENT OF FUTURE INCREASES
IN HOUSING STOCK BE MADE
AVAILABLE TO PERSONS WITH LOW
INCOMES.
- 11.25 THE RENT SUPPLEMENT PROGRAM
OF THE MINISTRY OF HOUSING BE
GIVEN HIGHER PRIORITY AS A
MEANS OF INCREASING THE SUPPLY
OF HOUSING UNITS AVAILABLE FOR
LOW-INCOME FAMILIES.
- 11.26 THE EXISTING METHOD FOR DETER-
MINING RENTS IN RENT-GEARED-TO
INCOME HOUSING BE RE-EXAMINED TO
TAKE INTO CONSIDERATION RECENT
INITIATIVES SUCH AS THE GUARANTEED
ANNUAL INCOME SYSTEM AND TAX
CREDIT PROGRAMS.
- 11.27 IN VIEW OF THE INTRODUCTION OF
TAX CREDITS TO OFFSET INTEREST
CHARGES OVER 10½ PER CENT ON
MORTGAGES, THE MINISTRY OF
HOUSING PHASE DOWN ITS LOW-
INTEREST FINANCING OF HOUSING
STARTS THROUGH THE HOME OWNER-
SHIP MADE EASY PROGRAM AND THE
ONTARIO HOUSING ACTION PROGRAM,
WHILE SEEKING FIRM COMMITMENTS
FOR INCREASED SUPPORT FROM LENDING
INSTITUTIONS IN THE PRIVATE SECTOR.
- 11.28 THE \$1,500 HOME OWNERS' GRANT
BE PHASED OUT AT THE END OF
1975 AS ORIGINALLY ANNOUNCED.

- 11.29 THE INFRASTRUCTURE ASSISTANCE AVAILABLE TO MUNICIPALITIES THROUGH THE ONTARIO HOUSING ACTION PROGRAM BE RE-EXAMINED.
- 11.30 THE EXISTING RATIONALE FOR PROVINCIAL INFRASTRUCTURE ASSISTANCE PROGRAMS BE REVIEWED WITH THE AIM OF PLACING THE FIRST PRIORITY FOR SUPPORT ON MUNICIPAL AREAS EXPERIENCING POPULATION GROWTH AND REDUCING THE LEVEL OF CONDITIONAL GRANTS WHEREVER POSSIBLE.
- 11.31 THE MINISTRY OF HOUSING CONDUCT STUDIES TO DETERMINE THE EXTENT TO WHICH HOUSING INFILLING ON A LIMITED BASIS IN AND AROUND EXISTING MUNICIPALITIES CAN BE ENCOURAGED TO AVOID THE ADDED COSTS OF INFRASTRUCTURE INVESTMENT.
- 11.32 THE PROVINCE DISCONTINUE ALL ADVANCE PURCHASING OF LAND FOR VARIOUS PROVINCIAL PROGRAMS, INCLUDING HOUSING AND PARKS, AND LIMIT LAND PURCHASES TO THOSE REQUIRED FOR DEVELOPMENT IN THE SHORT TERM.
- 11.33 FOR MAJOR EXISTING PLANS (INCLUDING THOSE FOR THE PARKWAY BELT AND THE NIAGARA ESCARPMENT) AND FUTURE PLANS INVOLVING SIGNIFICANT LAND PURCHASES, THE ACREAGES TO BE ACQUIRED BE DETERMINED BY REALISTIC CRITERIA RELATED TO SPECIFIC IDENTIFIED NEEDS.

11.34 ALL EXISTING MAJOR LAND
HOLDINGS OF THE PROVINCE
THAT ARE NOT REQUIRED FOR
DEVELOPMENT IN THE NEAR
FUTURE BE RE-EXAMINED TO SEE
WHETHER OR NOT ALL OR PART
OF THESE HOLDINGS CAN BE SOLD
TO REDUCE PRESENT CARRYING
CHARGES AND INCREASE PROV-
INCIAL REVENUES.

CHAPTER 12

INSTITUTIONAL CARE

- 12.1 A REVIEW OF LEGISLATION, REGULATIONS, AND STANDARDS BE UNDERTAKEN WITH A VIEW TO DEVELOPING A CONSISTENT BASIS FOR PROVIDING CARE AND REMOVING BARRIERS TO THE DEVELOPMENT AND OPERATION OF COST-EFFECTIVE PROGRAMS.
- 12.2 WHERE DEFINED STANDARDS AND LEVELS OF CARE DO NOT NOW EXIST, SUCH DEVELOPMENT BE UNDERTAKEN WITH A VIEW TO PROVIDING FUNDING THAT IS APPROPRIATE TO NEEDS, AND COORDINATING MECHANISMS BE DEVELOPED AND INSTITUTED TO ENSURE THE ADMISSION OF PERSONS TO THE APPROPRIATE INSTITUTIONAL CARE SERVICES.
- 12.3 STAFFING STANDARDS BE ESTABLISHED FOR INSTITUTIONAL CARE PROGRAMS FUNDED BUT NOT OPERATED BY THE PROVINCE, AND A STUDY BE UNDERTAKEN TO IDENTIFY AREAS WHERE OPERATING COSTS CAN BE REDUCED WITH PARTICULAR ATTENTION TO STAFF NUMBERS. THE OBJECTIVE SHOULD BE TO IMPROVE EFFICIENCY AND REDUCE COSTS BY 10 PER CENT EXCLUDING THE EFFECTS OF INFLATION.
- 12.4 A REDUCTION OF 1,500 STAFF BE UNDERTAKEN IN INSTITUTIONS OPERATED BY THE PROVINCE.
- 12.5 WHERE SURPLUS CAPACITY EXISTS IN INSTITUTIONS OPERATED BY THE

PROVINCE, ACTION BE TAKEN TO CONVERT FACILITIES TO ALTERNATIVE USES BY OTHER POTENTIAL CLIENTS OR AGENCIES, INCLUDING OTHER GOVERNMENTS; TO CLOSE OUT PORTIONS OF EXISTING PHYSICAL PLANTS; OR TO CLOSE FACILITIES IF SUCH ACTION IS WARRANTED.

- 12.6 THE SUPPLY OF GROUP HOMES AND ALTERNATIVES TO INSTITUTIONAL CARE BE EXPANDED AND, WHERE SURPLUS CAPACITIES ARISE IN INSTITUTIONS AS A RESULT OF THE EXPANDED SUPPLY OF GROUP HOMES, SIMILAR ACTION BE UNDERTAKEN TO THAT PROPOSED IN RECOMMENDATIONS 12.4 AND 12.5.
- 12.7 FOR THE NEXT THREE YEARS, ANY ADDITIONAL PLACES REQUIRED FOR CHRONIC, NURSING, AND AGED CARE BE PROVIDED FROM WITHIN THE EXISTING SUPPLY OF INSTITUTIONAL AND TREATMENT FACILITIES AND NOT BY NEW CONSTRUCTION.
- 12.8 CONSISTENT CHARGES BE LEVIED FOR INSTITUTIONAL CARE, FOR BOTH BASIC CARE (FOOD AND LODGING) AND PROGRAM SERVICES.
- 12.9 FEDERAL COST SHARING BE SOUGHT FOR INSTITUTIONAL CARE, AS PART OF A TOTAL INCOME MAINTENANCE POLICY.
- 12.10 COMMUNITY-BASED INSTITUTIONAL CARE BE FUNDED ON A BUDGET BASIS, AND MUNICIPALITIES BE FUNDED ON A GLOBAL BUDGET BASIS FOR PROVIDING COMMUNITY-BASED INSTITUTIONAL CARE THAT MEETS CLEARLY DEFINED STANDARDS.

- 12.11 THE RANGE OF PRODUCTS
MANUFACTURED IN CUSTODIAL
INSTITUTIONS BE EXTENDED
AND RESTRICTIONS ON COMMERCIAL
SALE RELAXED.
- 12.12 DAY CARE BE RECOGNIZED AS
PART OF THE EDUCATIONAL PROGRAM
OF THE PROVINCE AND BE MADE
AVAILABLE AT REASONABLE COST TO
WORKING PARENTS WHO MAY WISH TO
AVAIL THEMSELVES OF IT; AND
THE PROVINCE'S PORTION OF
THE FUNDING BE PROVIDED THROUGH A
REALLOCATION OF PRIORITIES WITHIN
THE EDUCATION SYSTEM.
- 12.13 IN CLOSE COLLABORATION WITH
FEDERAL AUTHORITIES, THE ROLE
OF THE PROVINCE IN PROVIDING
CORRECTIONAL SERVICES BE RE-
EXAMINED, WITH A VIEW TO
ELIMINATING ARBITRARINESS AND
THE POSSIBILITY OF SUDDEN
SHIFTS IN SERVICE REQUIREMENTS.
- 12.14 DISCUSSIONS BE INITIATED WITH
THE FEDERAL GOVERNMENT, WITH A
VIEW TO DETERMINING WHETHER
OR NOT ANY SURPLUS OR POTENTIALLY
SURPLUS PHYSICAL PLANT (SUCH AS
PSYCHIATRIC HOSPITALS) COULD BE
USED TO MEET FEDERAL PENAL NEEDS.

CHAPTER 13

ADMINISTRATION OF JUSTICE

- 13.1 THE CONCEPT OF CLASSIFYING CASES BE FULLY EXPLORED, WITH A VIEW TO ENSURING APPROPRIATE AND EFFECTIVE USE OF JUSTICE RESOURCES FOR EACH CATEGORY OF OFFENCES.
- 13.2 CONTINUED EFFORTS BE MADE TO IMPROVE EFFICIENCY OF COURT ADMINISTRATION THROUGH SUCH MEASURES AS INCREASING THE USE OF LAY PERSONNEL AND TAKING FULL ADVANTAGE OF AUTOMATIC DATA PROCESSING.
- 13.3 THE MINISTRY OF THE ATTORNEY GENERAL REVIEW THE LEGAL AID PLAN WITH A VIEW TO LIMITING ITS EXPANSION AND EXPLORE POSSIBLE ALTERNATIVES FOR THE THE DELIVERY OF LEGAL AID.
- 13.4 APPROPRIATE STEPS BE TAKEN TO IMPROVE THE MACHINERY FOR THE RECOVERY OF CLIENT COSTS AND AWARDS, UNDER THE ONTARIO LEGAL AID PROGRAM.
- 13.5 ALL APPROPRIATE INTEREST PAID ON LAWYERS' TRUST ACCOUNTS BE TRANSFERRED PROMPTLY TO THE ONTARIO LEGAL AID PLAN.
- 13.6 THE GOVERNMENT CONSIDER GIVING THE MINISTRY OF THE ATTORNEY GENERAL SUFFICIENT POWERS TO ENABLE IT TO STRENGTHEN ITS CONTROL OVER THE FINANCIAL

AND ADMINISTRATIVE ASPECTS
OF THE ONTARIO LEGAL AID
PLAN.

- 13.7 A REVIEW BE UNDERTAKEN OF FEES
IN THE COMMERCIAL STANDARDS
PROGRAM AND THE TECHNICAL
STANDARDS PROGRAM OF THE
MINISTRY OF CONSUMER AND
COMMERCIAL RELATIONS, WITH A
VIEW TO RECOVERING COSTS.
- 13.8 A REVIEW BE UNDERTAKEN OF
ACTIVITIES IN THE TECHNICAL
STANDARDS PROGRAM AND THE
COMMERCIAL STANDARDS PROGRAM
WITH A VIEW TO DETERMINING THE
FEASIBILITY OF THEIR BECOMING
SELF-REGULATING.
- 13.9 RESPONSIBILITY FOR CERTAIN
ACTIVITIES IN THE TECHNICAL
STANDARDS PROGRAM BE RE-EVALUATED
IN ORDER TO DETERMINE THE
APPROPRIATE GOVERNMENT LEVEL
FOR RESPONSIBILITY.
- 13.10 SYSTEMS DEVELOPMENT AND
OPERATING EXPENDITURES IN
THE PROPERTY RIGHTS
PROGRAM BE JUSTIFIED ON A
COST-BENEFIT BASIS AND BE
CLOSELY MONITORED.
- 13.11 IN ADDITION TO THE TRAD-
ITIONAL ALTERNATIVES OF
PROBATION AND PAROLE, AL-
TERNATIVES SUCH AS RESTITU-
TION AND A REVIEW OF THE
LEGISLATION AFFECTING
SENTENCING OPTIONS BE
CONSIDERED.

- 13.12 FURTHER EFFORTS BE MADE TO ESTABLISH THE MOST EFFECTIVE CASELOAD STANDARDS AS PART OF A STUDY ON PROBATION, PAROLE, AND AFTER-CARE.
- 13.13 THE MINISTRY OF CORRECTIONAL SERVICES CONTINUE TO EXPLORE, TOGETHER WITH THE FEDERAL GOVERNMENT, WAYS IN WHICH THE FEDERAL GOVERNMENT MIGHT ASSUME INCREASED RESPONSIBILITY FOR STANDARDS AND FUNDING IN STAFF TRAINING AND DEVELOPMENT IN THE PROVISION OF PROBATION, PAROLE, AND AFTER-CARE SERVICES.
- 13.14 THE JURISDICTIONAL RESPONSIBILITIES OF THE ONTARIO PROVINCIAL POLICE AND MUNICIPAL POLICE FORCES BE FURTHER RATIONALIZED AND REVIEWED.
- 13.15 A REVIEW OF THE FUNCTIONS AND ACTIVITIES OF THE ROYAL CANADIAN MOUNTED POLICE, THE ONTARIO PROVINCIAL POLICE, AND MUNICIPAL POLICE FORCES BE UNDERTAKEN SO THAT ALL UNWARRANTED OVERLAPS MAY BE ELIMINATED. THIS WOULD INCLUDE RESEARCH AND TRAINING ACTIVITIES.
- 13.16 THE PROVINCE CONTINUE TO PURSUE THE MATTER OF THE REIMBURSEMENT OF POLICE EXPENDITURES FROM THE FEDERAL GOVERNMENT.
- 13.17 THE PROVISION OF POLICE SERVICE BY THE ONTARIO PROVINCIAL POLICE FOR

MUNICIPALITIES BE
ARRANGED BY FINANCIAL
CONTRACT AND ALL APPROPRIATE
COSTS RECOVERED.

13.18 THE MINISTRY OF THE SOLICITOR
GENERAL DEVELOP ONTARIO
PROVINCIAL POLICE INFORMATION THAT
IS COMPATIBLE WITH COMPARABLE
MUNICIPAL POLICING COSTS,
ASSESSMENTS, AND DEMAND LOADS,
IN ORDER TO DETERMINE WHERE,
WHAT, AND WHY VARIANCES EXIST,
IN ORDER TO ELIMINATE
INEFFICIENCIES.

13.19 ALL COSTS ASSOCIATED WITH
THE TRAINING OF MUNICIPAL POLICE
BE RECOVERED BY THE PROVINCE.

CHAPTER 14

SOME OTHER SIGNIFICANT EXPENDITURE AREAS

- 14.1 THE GOVERNMENT MAKE FURTHER REDUCTIONS IN ITS PUBLIC SERVICE COMPLEMENT CONCURRENTLY WITH ITS IMPLEMENTATION OF THOSE RECOMMENDATIONS IN THIS REPORT THAT PERMIT MANPOWER REDUCTIONS.
- 14.2 THE GOVERNMENT CONDUCT MUNICIPAL ENUMERATIONS ONLY IN ELECTION YEARS TO ACHIEVE ALTERNATE YEAR SAVINGS OF \$2.5 MILLION.
- 14.3 THE GOVERNMENT TAKE MAXIMUM ADVANTAGE OF POTENTIAL SAVINGS OF ABOUT \$12 MILLION IN THE MUNICIPAL ASSESSMENT PROGRAM AS SOON AS REASSESSMENT HAS BEEN INTRODUCED AND THE NEW SYSTEM IS OPERATING SATISFACTORILY.
- 14.4 FUNDING INCREASES FOR THE MINISTRY OF CULTURE AND RECREATION AND EACH OF ITS EXISTING PROGRAMS BE FIXED AT 5 PER CENT PER ANNUM OVER THE NEXT THREE YEARS.
- 14.5 NO NEW PROGRAM INITIATIVES BE UNDERTAKEN BY THE MINISTRY OF CULTURE AND RECREATION OVER THE NEXT THREE YEARS.

- 14.6 ALL PROCEEDS OF WINTARIO
BE APPLIED TO EXISTING
CULTURAL AND RECREATIONAL
PROGRAMS SUCH THAT THE 5
PER CENT TOTAL INCREASE
RECOMMENDED FOR THE MINISTRY
OF CULTURE AND RECREATION IS
NOT EXCEEDED.
- 14.7 FURTHER EXTENSION OF
OLD FORT WILLIAM BE POSTPONED
INDEFINITELY.
- 14.8 A TWO-YEAR MORATORIUM BE
PLACED ON FUNDING OF COMMUNITY
RECREATION CENTRES, DURING
WHICH TIME STRICT CRITERIA
SHOULD BE DEVELOPED TO
CONTROL THE LEVEL OF
FUNDING THAT WOULD BE
REQUIRED THEREAFTER.
- 14.9 THE ONTARIO EDUCATIONAL
COMMUNICATIONS AUTHORITY
BE RESTRICTED TO THE PRODUCTION
OF PROGRAMMING DIRECTED
AT PRE-SCHOOL, ELEMENTARY,
SECONDARY, AND POST-SECONDARY
INSTITUTIONAL LEARNING
SECTORS ONLY.
- 14.10 THE PROGRAMMING PRODUCED BY
THE ONTARIO EDUCATIONAL
COMMUNICATIONS AUTHORITY
BE EXPLICITLY DEFINED BY
THE MINISTRY OF EDUCATION AND
THE MINISTRY OF COLLEGES AND
UNIVERSITIES .

- 14.11 FUNDING FOR THE PROGRAMMING PRODUCED BY THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY BE MADE A SPECIFIC ELEMENT OF THE AUTHORITY'S BUDGET, SUBJECT TO GOVERNMENTAL REVIEW AND PRIORITY SETTING,
- 14.12 THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY RESTRICT ITS BROADCASTING HOURS TO THOSE REQUIRED TO MEET ITS EDUCATIONAL PROGRAMMING FUNCTION,
- 14.13 IMPLEMENTATION OF PHASE III OF THE PROPOSED EXPANSION OF THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY BROADCAST NETWORK BE POSTPONED,
- 14.14 THE POSTGRADUATE EDUCATION PROGRAM CURRENTLY PROVIDED BY THE ONTARIO INSTITUTE FOR STUDIES IN EDUCATION BE TRANSFERRED TO THE FACULTY OF EDUCATION OF THE UNIVERSITY OF TORONTO,
- 14.15 THE BASIC RESEARCH GRANT PROVIDED TO THE ONTARIO INSTITUTE FOR STUDIES IN EDUCATION BY THE MINISTRY OF EDUCATION BE AWARDED ON A CONTRACT RESEARCH BASIS AND THE AMOUNT OF FUNDING PRESENTLY GRANTED FOR BASIC RESEARCH BE PHASED OUT OVER THREE YEARS,

- 14.16 THE MINISTRY OF EDUCATION EFFECT A TOTAL STAFF REDUCTION OF 200 IN THE REGIONAL OFFICES AND IN CURRICULUM DIVISIONS OF ITS HEAD OFFICE, WITH A CORRESPONDING REDUCTION IN FUNDING REQUIREMENTS.
- 14.17 THE MINISTRY OF EDUCATION CONTINUE TO PROVIDE THE PRESENT LEVEL OF REGIONAL SERVICES TO SMALL SCHOOL BOARDS.
- 14.18 THE RELATIONSHIP OF THE MINISTRY OF EDUCATION WITH LARGE SCHOOL BOARDS BE RESTRICTED TO LIAISON AND GATHERING FEEDBACK ON MINISTRY POLICIES AND GUIDELINES, AND THIS FUNCTION BE CARRIED OUT FROM THE MINISTRY HEAD OFFICE.
- 14.19 THE NUMBER OF REGIONAL OFFICES BE REDUCED TO REFLECT CHANGES IN THE LEVEL OF REGIONAL SERVICES REQUIRED.
- 14.20 THE GOVERNMENT DEVELOP CLEAR POLICY GUIDELINES AND DEFINE THE POTENTIAL LONG-TERM FINANCIAL IMPLICATIONS OF A FARM INCOME STABILIZATION PROGRAM.
- 14.21 THE FARM INCOME STABILIZATION PLAN OPERATE AT THE MARGIN - THAT IS, TO MINIMIZE INCOME LOSSES AND TO AVOID CREATING AN INCENTIVE TO OVER-PRODUCE.

- 14.22 EFFORTS CONTINUE TO BRING
 ABOUT AN ACCEPTABLE MUNICIPAL
 ASSESSMENT PLAN SUCH THAT THE
 PROVINCE CAN ULTIMATELY BE
 RELIEVED OF THE COSTS OF
 THE FARM TAX REDUCTION PROGRAM.
- 14.23 RECOGNITION BE MADE OF THE USEFULNESS
 OF A TAX SYSTEM TO HELP COMPENSATE
 FOR LOWER LAND VALUES OF FARMING
 OPERATIONS AND, IN THIS REGARD, THE
 GOVERNMENT REVIEW THE PROPOSED
 ASSESSMENT PROGRAM IN THE LIGHT
 OF THE NEED TO PRESERVE PRIME
 FARMLAND.
- 14.24 ELIGIBLE FARMING OPERATIONS BE
 REDEFINED IN TERMS OF GROSS
 SALES FROM \$2,000 TO \$4,000,
 GIVEN THE TREND TO LARGER
 OPERATIONS.
- 14.25 THE ONTARIO ENERGY CORPORATION
 NOT BE PERMITTED TO INVEST AT
 THIS TIME IN ANY FURTHER PROJECTS
 OVER AND ABOVE THE TWO
 PROJECTS WITH WHICH IT IS
 CURRENTLY INVOLVED, NAMELY, SYNCRUDE
 AND POLAR GAS.
- 14.26 THE ONTARIO ENERGY CORPORATION
 NOT BECOME AN ACTIVE OPERATION
 BUT INSTEAD RESTRICT ITSELF TO
 ACTING AS A FINANCING VEHICLE.
- 14.27 THE PROVINCE SHOULD PROVIDE A ZERO
 BUDGET INCREASE FOR PROMOTION OF
 TOURISM, WITH NO ALLOWANCE FOR
 INFLATION.

- 14.28 TOURISM PROJECTS RECEIVE GOVERNMENT SUPPORT ONLY WHERE NET BENEFITS TO ONTARIO AND ITS REGIONS CAN BE CLEARLY DEMONSTRATED OVER THE LONG TERM. PROJECTS THAT ARE LIKELY TO SUSTAIN OPERATIONAL DEFICITS OVER THE YEARS SHOULD BE AVOIDED.
- 14.29 NOTWITHSTANDING THE PRECEDING RECOMMENDATION, THE GOVERNMENT NOT SPEND LARGE SUMS OF MONEY ON TOURISM DEVELOPMENT DURING THE CURRENT PERIOD OF EXPENDITURE RESTRAINT.
- 14.30 LOANS CONTINUE TO BE MADE THROUGH THE NORTHERN AND EASTERN ONTARIO DEVELOPMENT CORPORATIONS TO SELF-EMPLOYED OWNER-OPERATORS OF TOURIST FACILITIES WHO DEMONSTRATE CLEAR ECONOMIC NEED.
- 14.31 LICENSEES ACROSS THE PROVINCE BE DIRECTED TO CARRY OUT AN APPROVED SILVICULTURAL PROGRAM TO MAINTAIN THE PRODUCTIVITY OF THEIR LICENCE AREA. IN THE CASE OF SMALL LICENSEES, THE MINISTRY OF NATURAL RESOURCES MAY PROVIDE THIS SERVICE AND LEVY APPROPRIATE CHARGES.
- 14.32 COMPENSATION IN TERMS OF REDUCED DUES BE PROVIDED TO LICENSEES TO AMELIORATE IN WHOLE, OR IN PART, THE COSTS OF SILVICULTURE WHEN CARRIED OUT BY THE LICENSEE.

- 14.33 TOTAL GOVERNMENT COSTS FOR FOREST MANAGEMENT AND PROTECTION IN SUPPORT OF FOREST INDUSTRIES BE RECOVERED THROUGH A PHASED PROGRAM OF INCREASING CROWN DUES OVER THE NEXT FEW YEARS.
- 14.34 THE SCHEDULE OF CHARGES FOR WASTEFUL PRACTICES BE RAISED TO A LEVEL THAT WILL REDUCE OR REMOVE SUCH WASTE.
- 14.35 LEGISLATION BE AMENDED TO ENSURE THAT MODIFIED CUTTING OF TREES WILL BE EMPLOYED WITHOUT COMPENSATION WHERE REQUIRED.
- 14.36 REVISED LEGISLATION, PERFORMANCE STANDARDS, AND MONITORING AND CONTROL PROCEDURES BE DEVELOPED AND IMPLEMENTED TO ENSURE THE EFFICIENT CONDUCT OF SILVICULTURAL OPERATIONS IN ONTARIO'S FORESTS.

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